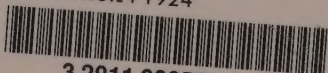


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**THE WORLD-STRUGGLE
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THE WORLD-STRUGGLE FOR OIL

Translated from the French of
Pierre l'Espagnol de la Tramerye
by C. LEONARD LEESE
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NEW YORK

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PART I
THE WORLD'S OIL

CHAPTER I

“WHO HAS OIL HAS EMPIRE!”

The question of oil has become one of the most vital in all countries. Its importance is such that even the most solid political alliances are subordinate to it. The Great Powers have all an “oil policy.” The United States, where the most powerful trust is an oil trust—the *Standard Oil Company*—the United States, which control 70 per cent. of the oil production of the world, have decided not to leave the question to private initiative alone, but to start a vigorous oil policy both at home and abroad. The American Senate recently decided to create the “United States Oil Corporation to develop new petroleum fields,” while Mr. Bedford, Chairman of the Board of Directors of the *Standard Oil Company*, asked the Government to lend its support to any Americans who were soliciting oil concessions throughout the world. This support, which even Wilson—hostile to trusts as he was—did not refuse, was granted very energetically by Mr. Harding: three European States have just had experience of it.

Britain, with her usual foresight, understood long

ago the importance of oil, and took the necessary action. In the work of exploration alone she is at the present moment spending considerable sums, and she will soon have nearly all the remaining oil-fields of the world in her hands.

France alone remains behind, hesitates, changes her mind, and allows herself to be despoiled, not only of the region of Mosul, one of the richest oil-fields of the world, which was formally promised to her by the Agreements of 1916, but also of the few modest oil deposits which she possesses in her colonies. For these are almost all exploited by British firms; and by the Agreement of San Remo the French Government has, in addition, promised to reserve a large share for "British co-operation" in new companies which may be established there.

"Who has oil has Empire!" exclaimed Henry Bérenger, in a diplomatic note which he sent to Clemenceau on December 12, 1919, on the eve of the Franco-British conferences held in London to consider the future of Eastern Europe and Asia Minor. "Control of the ocean by heavy oils, control of the air by highly refined oils, and of the land by petrol and illuminating oils. Empire of the World through the financial power attaching to a substance more precious, more penetrating, more influential in the world than gold itself!" The nation which controls this precious fuel will see the wealth of the rest of

“WHO HAS OIL HAS EMPIRE!” 11
the world flowing towards it. The ships of other nations will soon be unable to sail without recourse to its stores of oil. Should it create a powerful merchant fleet, it becomes at once mistress of ocean trade. Now, the nation which obtains the world's carrying trade takes toll from all those whose goods it carries, and so has abundant capital. New industries arise round its ports, its banks become clearing houses for international payments. At one stroke the controlling centre of the world's credit is displaced. This is what happened already in the eighteenth century when, with the development of British shipping, it passed from Amsterdam to London. And British statesmen have had, at one time, a moment of anxiety lest it should move to New York!

Thus began the terrible struggle between Britain and the United States for possession of the precious “rock-oil.”

“The country which dominates by means of oil,” said Elliot Alves, head of the *British Controlled Oilfields*, a semi-official, semi-private organization, which the British Government has specially commissioned to fight the *Standard Oil Company*, “will command at the same time the commerce of the world. Armies, navies, money, even entire populations, will count as nothing against the lack of oil.”

The War proved it.

Whence does oil derive this formidable power, before which the whole world bows down? From the fact that the fundamental basis upon which the industrial life of modern nations rests is fuel. Before the War, Germany, Britain, and the United States owed the whole of their power and their wealth to coal. It would have been true to say that the British Empire rested upon a foundation of coal.

It is essential to have control over fuel in time of peace for economic prosperity, and in time of war to supply the navy and maintain control of the seas.

Now oil has considerable advantages over coal. Its extraction is remarkably easy compared with that of coal. What is the boring of a well and the installation of some simple machinery on the surface compared with the expensive subterranean workings which are involved in the exploitation of a coal-mine? An oil-boring before the War cost a few hundred thousand francs, while the simplest workings for a colliery always necessitated an expenditure of several millions. The installations once made, oil flows by itself into the reservoirs, whence it is conducted by pipe-lines to the sea-ports and there pumped into the ships. It may be refined before exportation or only on arrival in the country where

it is to be consumed. The expenditure upon labour in these various operations is extremely small, especially in undeveloped countries where native labour is employed. Thus, even at the present time, in the Dutch Indies the coolies are paid a florin a day. Now at the end of the War the employés of the *Royal Dutch* in the Dutch Indies numbered only 1,000 Europeans and 2,906 natives and Chinese for a production of 1,706,675 tons. A native earned only 300 gold francs a year for 80 tons of oil extracted, refined and transported to the coast.

After the Bolshevik revolution wages at Grosny were still only seven roubles a day, which, considering the depreciation of Russian money, represented very little. Generally the expenses of production in Russia did not exceed a few kopecks a pood (50 kopecks for one of the best-known firms, that of Akverdoff).

Thus oil is bound to become in future more and more important as a fuel, because of its peculiarity in necessitating so insignificant a charge for labour—which protects it from the inconveniences resulting from the social crises in the midst of which we live—and because its net cost is so small. For half a century it was used only for lighting purposes, and then it had to compete with gas and electricity. At one time there was talk of limiting production!

Between 1900 and 1910 the invention of the inter-

14 THE WORLD-STRUGGLE FOR OIL
nal-combustion engine and the enormous development of motoring gave it new impetus. Fine oils only had been used up to then. Under pressure of the demand, it became customary to raise and refine poorer and poorer oils, giving from 60 to 75 per cent. of waste products.

There remained the mazut¹ or fuel-oil, which required very high temperatures for combustion and which was very dirty in use.

Then the German, Diesel, invented the internal-combustion engine for heavy oil. The mazut, subjected to high pressure in a cylinder, produces an explosive mixture which, without sparking-plug or magneto, drives the pistons in the manner of a petrol engine. The installation is rather heavy, but no boiler is required, and it takes up much less space than a steam engine of the same power. A vessel fitted with a Diesel engine can sail for fifty-seven days without re-fuelling, while with a steam engine it could only sail for a fortnight. A ship fitted with a Diesel engine and having a speed of 20 knots could sail from France to Suez, India, Australia, New Zealand, and return by Cape Horn without re-fuelling. But, better than any words, the following little table, made out for two boats of the same power, will

¹ "The famous petroleum wells of Baku . . . yield crude naphtha, from which the petroleum or kerosene is distilled; while the heavier residue (*mazut*) is used as lubricating oil and for fuel."—*Encyclopaedia Britannica*, 11th ed., vol. iii, p. 230.—TRANSLATOR'S NOTE.

give an idea of the great advantages of the Diesel engine:—

	Diesel.	Steam.
H.P.	21,000	21,000
Weight of engine and accessories	1,000 tons	3,400 tons
Space required	5,300 cu. m.	10,000 cu. m.
Daily consumption	100 tons (heavy oil)	360 tons (coal)
Consumption for a voyage of 15 days	1,500 tons	5,400 tons
Bunker space for a voyage of 15 days	1,700 cu. m.	7,000 cu. m.
Total space required for engine and fuel	7,000 cu. m.	17,000 cu. m.

At first oil was used on fishing boats, then on small coasters. To-day the biggest British cargo boats, of the type of the *Zeelandia* or *Sutlandia*, are fitted with Diesel engines. All German submarines had them during the War. In 1917 Herr Ballin,¹ the great friend of William II and the head of the *Hamburg-Amerika* line, just before his suicide decided on the construction of a fleet of enormous ships fitted with internal-combustion engines. Scandina-

¹“Herr Ballin committed suicide, foreseeing that unrestricted submarine warfare, which had then been decided upon, would be the downfall of Germany.”—*Revue des Deux Mondes*: Contre-Amiral Degouy, “Oil and the Navy.”

via, Holland, Italy, all now use the Diesel engine. France alone remains behind in this respect. It has even been used on railways, a little-known fact. Diesel locomotives with four cylinders, built by Sulzer Brothers of Winterthur, have recently been run on the line from Berlin to Mannsfeld.

"The development of our metallurgy," wrote Admiral Degouy in April 1920, "will soon give us the assurance that we also shall be able to manufacture large-bore cylinders and pistons of flawless casting, like those made in Augsburg, Nuremberg, Stockholm, and Christiania, which will support for long periods without change (and consequently without leakage) the temperature of $1,000^{\circ}$ C. which is developed by the combustion of mazut in these engines."

Since the invention of the internal-combustion engine, mazut has been introduced directly into the furnaces of great ships. The heating power of this formerly despised product is almost double that of coal: 1 kilogramme of liquid fuel produces the same results as 1.7 kilogrammes of coal. Its use allows of the reduction by five-eighths in bunker space, and by 70 to 80 per cent. of the stokers, since a single man can look after several boilers. The fuelling of a ship is effected cleanly and quietly in a few hours. Hundreds of tons of oil can be pumped into the cisterns in a negligible time, and

even out at sea and in heavy weather. To give an idea of the difference in time and labour required for the loading of coal and oil before the sailing of a mail steamer of the tonnage of the *Olympic* or the *Lusitania*, I will quote the following figures:—

Coal	5 days	500 men
Oil	12 hours	12 men

The labour of stoking and clearing the furnaces is done away with; there is no longer either dust or smoke. Parts of the ship which are too restricted or too inconveniently placed for housing coal can be used for oil. It is stored in the double bottom of the boat, and by utilizing the coal bunkers for general cargo the available storage space is increased by 10 per cent. On the latest *Cunard* and *White Star* liners the economy of space thus realized has been as much as 33 per cent. And Admiral Lord Fisher drew attention to the fact that on the *Mauretania*—the sister ship to the *Lusitania*—the adoption of oil fuel allowed of the reduction of the crew by three hundred men.

The efficiency of a boiler heated by coal is not much more than 60 per cent.; that of one heated by oil reaches 80 per cent. On Japanese steamers of the type of the *Temyo Maru*, of 21,000 tons, with Parsons turbines of 20,000 horse-power, the con-

18 THE WORLD-STRUGGLE FOR OIL

sumption of oil is only 455 grammes to one effective horse-power, instead of 685 grammes of coal. The flexibility and ease of control are extraordinary.

Since 1911 the merchant fleet of the United States has been consuming 15 million barrels annually. Nearly all the nations have followed this example,¹ especially those which dream of the dominion of the seas for the use of oil in their warships gives them an incontestable superiority. The presence of a squadron sailing under coal is disclosed at a distance of more than 10 kilometres by enormous clouds of smoke; under oil its presence is almost imperceptible; it becomes visible only at the moment when it is about to attack. Ease of approach is enormously increased; and even if an enemy vessel is discovered by marine or aerial scouts it is very difficult for the gunners of the threatened vessel to take their aim at so vague a target as an almost invisible horizontal silhouette. "No smoke, not even a funnel!" exclaimed Lord Fisher in his strenuous campaign for the transformation of the British Navy. Many years elapsed, however, before he saw the triumph of the new fuel.

It has been objected that ships lose a little of the protection which is conferred upon them by their belts of coal bunkers; but this criticism is valueless.

¹ Since 1920 the world tonnage of oil-burning steamers has exceeded that of steamers built to burn coal.

For, as they gain considerably in lightness, it is possible to increase the thickness of the armour plate and the size of the guns. The abolition of funnels permits of a considerable increase in the field of fire of the artillery.

Moreover, with oil fuel fleets acquire an extreme mobility.¹ Half an hour after receiving the order to raise steam the ship is ready to start. Thirty-five minutes afterwards it is going at full speed. In six minutes it can pass from normal to maximum speed. Eleven minutes are needed to get a boiler under full pressure. A voyage at forced speed entails no extra fatigue for the crew: with coal it is hell!

Thus, since 1912, oil has been constantly used on twenty-eight German battleships, almost the whole of the fleets of Great Britain and the United States, and the Russian squadrons in the Baltic and the Black Sea. *The American Navy has completely abandoned coal for its new units.*

And France? France, which was the first to conceive the idea, had, at the moment when war broke out, only a few small boats burning oil, and not a single powerful modern vessel comparable with the *Queen Elizabeth*. And yet, as early as 1864, it was France that built the first ship, the *Puebla*, sailing under Lieutenant Farcy, to use the new fuel,

¹ At the battle of Jutland, only the oil-burning ships realized their trial speed.

which aroused so much curiosity during the Second Empire. But the selfish opposition of our coal-owners overcame those who were favourably inclined, including Napoleon III himself.

No one gives a thought to these facts at the present time. France often points the way of progress; she never profits by it.

.

The most far-reaching revolutions have begun with a technical invention. The unknown monk who first mixed charcoal with sulphur and saltpetre razed feudal castles and created the great modern States. And he who balanced a magnetized needle on its pivot was the real founder of colonial empires.

We are just entering upon an economic period which will turn the whole world upside-down—the Revolution in Fuel, with its far-reaching consequences.

CHAPTER II

OIL: ITS ORIGIN, DISCOVERY, AND HISTORY

THE GREAT PRODUCING STATES BEFORE 1914 AND IN 1921

Oil is found naturally in different forms. Sometimes it occurs as a volatile liquid at ordinary temperatures; it is then known as naphtha. Sometimes the volatile principles are only given off at higher temperatures; it is then called petroleum or rock-oil. Sometimes also it appears in a semi-solid form, asphalt, its volatile properties having already evaporated.

It is very rarely that oil is found on the surface or gushing up by itself without the help of pumps. It is usually met with at a great depth underground, in pockets in which oil and gas are found above water. Thus, in order to detect its presence, it is necessary to make borings. When one reaches a pocket in the neighbourhood of the gas, the latter escapes by the outlet which is offered. If the boring first reaches oil, and if the pressure of gas is sufficient, the oil gushes out and forms a spring. This

is what happened in the Caucasus, where certain wells spouted up to a height of eighty metres through the borings made by the prospectors. More often the gas pressure is not sufficient to raise the liquid to the surface, and it is necessary to install pumps driven by steam to empty the pocket. At the time of the boring, when the cylindrical metal drill, driven vertically by a metal cable and held vertical by the derrick (a sort of pyramidal framework of metal), reaches the deposit, the gas which has been accumulating for thousands of years escapes, driving, pushing, sucking up the oil, and making a fountain, a gusher, a sort of artesian well. The oil is led away in metal pipes, vertical till they reach the surface, horizontal to the refineries, ports, or other destinations. Once the well is capped, it is not touched again; it is alone in the desert, and only a metre records its daily output, while hundreds of thousands of men are obliged to work underground to wrest coal from the bowels of the earth by the strength of their arms!

The depth of the wells varies from 200 to 1,600 metres, according to the region. The duration of the flow is essentially variable, depending upon the magnitude of the deposit of oil. But it goes without saying that when a spring has flowed for seven years more or less, like the first one exploited by the *Mexican Eagle*, it gives out, yielding salt water.

The fact is quite ordinary, and is known in all competent circles, although it is sometimes brandished as a warning by interested people in order to lower the value of certain oil shares. One often hears of "pools," "rivers," or "veritable lakes of oil." These expressions are most inaccurate. Apart from certain exceptions, such as the famous well of the *Colombia* in Rumania in 1913, the deposits of oil are neither rivers nor pools. They are *actually solid layers of sandstone, often very hard, impregnated, saturated with oil*. This sandstone is very porous and contains thousands of cavities or pockets enclosing the precious "rock-oil." Its thickness varies from the usual 30 or 50 metres (giving wells of a yield of 200, 500, or 1,000 barrels a day) to *one kilometre* in certain wells of the *Eagle* (yielding 70,000 to 100,000 barrels a day, instead of 200 to 1,000). The *Eagle* is lucky, it must be admitted, and its history is unique in the annals of oil. Only its sister company, the *Mexican Oil*, which works in the same field, but for the *Standard Oil* group, can be compared with it.

Even a superficial examination of the chemical composition of oil, a hydrocarbon, in which the carbon, in a proportion of 80 to 88 per cent., is combined with hydrogen, and sometimes with a little oxygen, reveals in this compound a marvellous source of thermal energy, which may manifest itself

in various ways. For, from the greenish-brown oil which is lighter than water, no less than 128 chemical compounds are obtained, which are used in forty different industries. From the retort in which the crude oil is distilled comes an infinity of substances of basic importance in modern industry.

.

Although the intensive use of oil and its industrial applications are of comparatively recent date, the discovery of deposits of petroleum goes back to remote antiquity.

The history of oil is as old as the world, since there is already mention of it in the Book of Genesis. The wells of Baku were known long before the Christian era. In the peninsula of Apsheron, where they are situated, arose the cult of Zoroaster and the fire-worshippers. According to the latter, the flames which escaped from the soil would burn until the end of the world. They were, at any rate, famed throughout the world nearly three thousand years ago.

The Greeks and Romans were acquainted with oil. The latter called it *bitumen*. In Low Latin it was *petroleus*, from *petra*—stone, and *oleum*—oil; and the word has come down to us through the scholars of the seventeenth and eighteenth centuries who adopted it.

In ancient mythology and literature oil is often

mentioned. It is probably with oil that the Centaur—to avenge himself upon Hercules—was obliged to anoint the famous shirt of Nessus! “It is not without reason,” says Plutarch, “that certain authors, wishing to restore truth to legend, assert that petroleum is the substance which Medea used to smear the crown and veil that play so great a part in the tragedies; for fire does not issue from them of itself, but when they are brought near a flame fire is communicated to them by some kind of attraction with such rapidity that the eye can scarcely follow it.”

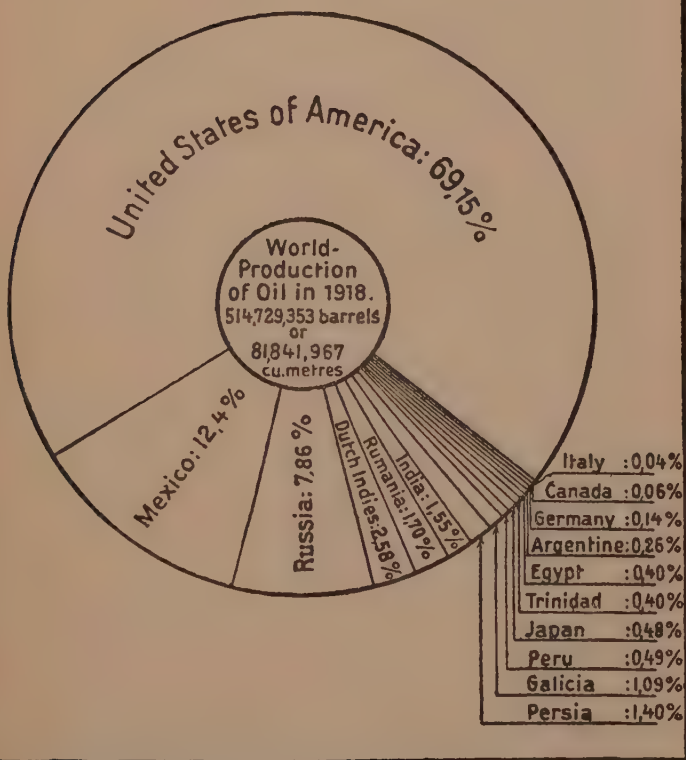
Herodotus, in his works, mentions the oil-fields of Zante; Pliny those of Agrigente in Sicily; Plutarch those of Ecbatana and Babylon. “The land of Babylon,” he says, “is impregnated with fire. . . . It is as though the soil, agitated by the fiery substances which lie concealed in its bosom, has a sort of pulse which makes it quake.” When Alexander conquered these regions he was particularly astonished, in the province of Ecbatana, at “a gulf from which rivers of flame streamed continually, as though from an inexhaustible source.”¹ His return to Babylon was celebrated by the burning of two parallel streams flowing through the streets. And one of his courtiers, to amuse him, caused a young man to be anointed with oil; scarcely had it touched his body when he was enveloped in flames.

¹ Plutarch's *Lives*, Alexander the Great, chap. xlv.

The Chinese have used oil for lighting from the most distant times; Europeans since the fourteenth century. It is difficult to go further back owing to the absence of documents during the Middle Ages. But what was Greek Fire, if not oil? In the fifteenth century we find traces of its use in medicine; and even at the present time the natives of Mosul and Bagdad use some of the purer varieties, which they call "moum," as a dressing for serious wounds. Oil has some fame as a vermifuge; as, for example, the oil of Gabiau in the south of France. A curious memoir of François Clouet, who was entrusted with the task of embalming Francis I in 1547, mentions the use of an oil ("pétrolle") in the colouring of a waxen mask made in the dead king's likeness.

In the eighteenth century Apsheron was again the astonishment of British travellers seeking a route to India. "The Russians drink it as a tonic and as a beverage," writes Jonas Hanway, who visited these regions in 1754, speaking of petroleum. "It never intoxicates. Used internally, it is also an excellent cure for gravel. Used externally, it is a valuable remedy in cases of scurvy, gout, and cramp. It is very good for removing stains from fabrics, and would be in more frequent use if it did not leave behind it an abominable smell."

Finally, the earliest settlers found oil in America, or, to be more exact, recognized the wells which had



World Production in 1918.

already been dug by the Indians. But it was only in the middle of the nineteenth century that the real importance of the oil-fields scattered over the globe began to be realized.

While France about 1840 made the first trial use of shale oil, and Germany in 1853 invented the oil lamp, later perfected by Laydaw of Edinburgh, "the bold and inventive spirit of Young America undeterred by a series of fruitless experiments, set itself to discover the first springs of the precious liquid in Pennsylvania." In 1858 Colonel Edward Drake, while boring a salt-water well near Tytusville, was nearly engulfed with his workmen in a jet of oily liquid, the spring of which was apparently inexhaustible, and continued to furnish several thousand litres a day. It was subsequently discovered that this liquid after a very simple process of purification, would burn with a brilliant light. The "oil fever" then seized all America and myriads of searchers rushed into the valleys of the Alleghanies in Pennsylvania.

The oil industry was created. For a long time America was the only country producing the precious oil; forty years ago she still furnished two-thirds of the world's supplies. But although the oil-fields of the Alleghanies and of Ohio were developed rapidly, they have been far surpassed by the enormous deposits of Baku. In 1898 Russia outdistanced the

United States, and kept the first place until 1902, when America recovered it after a great struggle, thanks to the new oil basins of Texas, California, and the Mid-Continent, and above all those of Kansas and Oklahoma, with its famous "Glen Pool," which in 1908 produced the fantastic figure of 50,000 barrels *a day*.

Russia has never been able to retrieve her position. Her production, which in 1901 was 50 per cent. of that of the whole world, was not more than 20 per cent. two years before the War, and in 1918 had fallen to 7.86 per cent. The cause is chiefly the diminution of production of the "black region" of Baku, in the peninsula of Apsheron, which juts out into the Caspian Sea and is connected with the open seas by a railway and by a pipe 800 kilometres long, through which the annual flow of oil towards Europe before the great world catastrophe amounted to 400,000 tons. In five years the average yield of the wells diminished by 40 per cent., while the mean depth of the borings was increased by 25 per cent. It was necessary to dig more and more deeply to find less and less oil. The old oil-fields of Baku were nearing exhaustion. Now they alone furnished four-fifths of the production of Russia. That is why, in 1918, Russia lost the second place, which she had held so long, to her young rival Mexico. It is true that the two revolutions which she had to undergo in

this quarter century helped the process considerably. The revolution of 1905 caused the bloody disturbances of the Caucasus: the finest factories were burnt and numerous wells destroyed. Great unrest continued incessantly in this region until the triumph of Lenin. But there are still in Russia oil-fields of very considerable extent, scarcely touched before 1914, which the world cannot afford to dispense with.¹

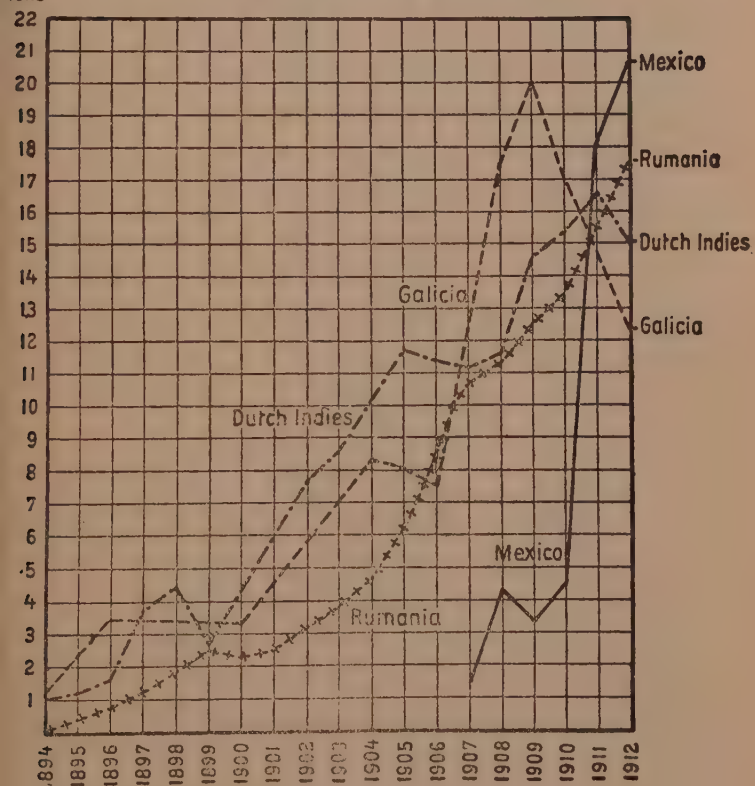
The United States, Russia, Mexico, Rumania, these were, in order of importance, the four chief oil-producing countries before the War. Rumania shares with America the distinction of being the first country in which rock-oil was extracted. The same year in which Colonel Drake made his experiments at Tytusville 250 tons were extracted from a well by hand-pumping: the oil was only just below the surface. Since then Rumanian production has continually increased. It was 500,000 tons when the region of Moreni, one of the richest in the world, was discovered. Foreign capital flowed in immediately, and Rumanian production reached its highest point in 1913 with 2 million tons. The War gave it an appreciable setback; at the present time it does not come to more than half this figure.²

¹ Cp. chap. xvi, *The Struggle for the Oil-fields of Russia*.

² Having fallen to 920,000 tons in 1919, it had increased to 1,030,086 tons in 1920 (12 per cent. increase). This slight recovery is the first noted; for six years Rumanian production steadily decreased. The worst year was 1917.

Pre-war production of oil in Mexico, Rumania, the Dutch Indies and Galicia.

00,000
tons



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Although the production of Rumania, hampered by the lack of electricity which hinders the borings, has recovered with difficulty, that of Mexico, often a prey to civil war, has known no pause in its incredible progress. In ten years it has passed from 3 to 160 million barrels, carrying its share in world production from 1 per cent. to 23 per cent. The figures are worth quoting:—

Year.	World Production 1910-21 (barrels).	Percentage from Mexico only.
1910	328,000,000	1.10
1911	344,000,000	3.65
1912	352,500,000	4.70
1913	385,000,000	6.80
1914	400,000,000	5.30
1915	426,500,000	7.70
1916	459,500,000	8.70
1917	505,500,000	10.09
1918	515,000,000	12.40
1919	551,000,000	15.85
1920	684,000,000	23.35
1921	759,000,000	25.00

It is Mexico which saves the world to-day, for the United States—the greatest producers in the world—do not even supply enough for their own consumption, and are obliged to call in the help of Mexico to make good their deficit. In spite of all their efforts, they have only succeeded, during the last three years, in increasing production by 24 per cent., while Mex-

ico has augmented hers by 130 per cent. The other countries follow at a considerable distance. Here is the record of each for 1921:—

	Barrels.		Barrels.
United States .	469,639,000	Trinidad	2,354,000
Mexico	195,064,000	Argentina	1,747,000
Russia	28,500,000	Egypt	1,181,000
Dutch East		Venezuela	1,078,000
Indies	18,000,000	France	392,000
Persia	14,600,000	Germany	200,000
Rumania	8,347,000	Canada	190,000
India	6,864,000	Italy	35,000
Poland (Galicia)	3,665,000	Algeria	3,000
Peru	3,568,000	Great Britain .	3,000
Japan and For-		Other countries	1,000,000
mosa	2,600,000		

The total production was 759,000,000 barrels of 42 gallons, against 684,000,000 barrels in 1920. It exceeds 100 million tons, easily beating the records of the preceding years. If we remember that half a century ago, it was only 66,000 tons, and that *between 1913 and 1920 it has almost doubled*, we shall see what a tremendous stimulus the great world War has been.

But fears are increasingly felt. Will it be possible to satisfy the dizzy increase in the consumption of oil? And do not certain countries already fear to see the reserves contained in their soil exhausted?

CHAPTER III

AMAZING INCREASE IN CONSUMPTION

FEARS OF THE UNITED STATES

The consumption of oil is rising at a terrific rate. Entire branches of industry are transformed, and it may be said that all modern transport is increasingly dependent upon the use of the new fuel. Automobilmism and aviation owe their existence to it. Not only do steam engines tend to give place to the oil motor in a great number of cases, but they themselves begin to use oil instead of coal. Locomotives and the engines of ships more and more seek the source of their energy in oil. No more smoke, no more troublesome ash, and double the calorific power. The work of a fireman, formerly so exhausting, is reduced to the opening and closing of a tap. If coal is replaced by mazut in the furnaces of ships, their radius of action is increased by 50 per cent.; it is more than tripled if the internal-combustion engine is used. Certain British engineers are not afraid to assert that *one ton of mazut, used in a Diesel engine for ships, is equivalent to at least six tons of coal.*

Few countries hesitate in face of such advantages. Since 1885 the railways of Southern Russia have been run on oil; those of Rumania since 1887. The railway companies of the United States consumed 20 million barrels even in 1909—that is, *one-tenth* of the production at that time. And the last few years have been marked by the conclusion of contracts by the United States Railroad Administration for the delivery of 50 million barrels. The engines of the Southern Pacific Railway have been aptly described as veritable monsters. Their boilers are two metres in diameter and fourteen and a half metres long. Their heating-surface is double that of ordinary locomotives. The driver's place is in front, which allows him to see the track.

Mexico has long since followed the example set by the United States. So also has Austria for her Alpine railways. France has made experiments which have been much talked of; and the Argentine, only a few months ago, has concluded important contracts with the *Shell Transport and Trading Company* for the supply of oil for her railways. Everywhere the substitution of oil for coal is going on, and consumption is developing with such rapidity that the supply is no longer anything like equal to the demand. Even if Russia recovered, the discrepancy between the needs of the world and the quantity available would be considerable. That is why the

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price of liquid fuel, which requires little labour in its production, remains so high.

Since North America supplies 80 per cent. of the world production, the dollar has become the standard currency for oil. At the present time, Rumanian oil, delivered in Hungary, is sold at the same price as American oil. *The market-price is therefore fixed for the whole world by New York.*

Very few people realize at all clearly what will be the consumption of oil in a few years' time. It is natural enough, for it is only a short time since our great and instructive Press began—very timidly, however—to entertain its readers with this burning topic. There is no one, at present, who does not know that the question of fuel is of supreme importance to the whole industrial life of Europe.

Now, the world-production of coal was, in 1920, about 100 million tons short, compared with the production in 1913. The directors of colliery companies endeavour to increase the output of the mines, but they obtain in general only disappointing results, which is not strange when we observe the increasing number of miners' strikes, the rise in wages, and the fact that laws are continually passed to reduce the hours of labour.

In producing steam, one ton of mazut gives almost the same result as two tons of coal; more than 50 mil-

lion tons of fuel-oil are therefore required to make good this enormous deficit.

Now, in 1919 the world production of mazut did not exceed 75 million tons. After making good the shortage of coal, this would leave only 25 million tons to satisfy the ordinary demand. This comparison of figures makes clear how great is the need of oil, at a time when the use of oil, in preference to coal, is becoming more and more the order of the day. Now, the great and general increase in consumption is not equalled by the production which, though far from stationary, is none the less much below the needs which are predicted for the future in competent circles. An American oil journal recently published the following figures for the consumption of the United States:—

1907.....	24 million tons
1918.....	57 million tons
1919.....	75 million tons

And even at the beginning of 1920 an increase of 25 per cent. over 1919 was noted. The rate of increase was such that, in January and February 1921, the American consumption was greater by 230,729 barrels *a day* than the national production. The stock of oil in the United States, both national and Mexican, has recently been considerably reduced, and

does not amount to more than 114,000,000 barrels, representing only four months' consumption, although for years past it has always been sufficient to meet the consumption for six months. It must be remarked that motor-cars are terrible gluttons for petrol, and that in the United States every farmer has his car. In a self-respecting family there are generally three—a limousine for use in town, an open car for touring, and a Ford for the servants to fetch provisions. It has been calculated that there is on an average one motor-car to every thirteen inhabitants. The Ford works alone are capable of turning out three million annually.

And, as if that was not enough, America is planning to develop, by motor traction, the means of transport in Asia, the continent without railways. We may predict for this a consumption of 120 million tons in the near future.

The United States consume twice as much oil as the rest of the world, while their resources do not amount to more than one-seventh of those of the world.

Their consumption increased in 1920 by 25 per cent.; their production only by 11 per cent. And already fears are entertained that it may diminish. Two-thirds of the oil-fields of Oklahoma, which state alone produces nearly one-quarter of the total, have been developed; and the number of borings tends to diminish.

If the increase in world-consumption of oil continues at the rate that it has done during the past few years, the oil reserves of the United States, calculated on the basis of 70 barrels to each inhabitant, without allowing for increase of population, would, according to the Smithsonian Institute, come to an end about the year 1927.

These figures seem to me a little exaggerated, for the reserves contained in the soil of the United States cannot possibly be completely exploited in so short a time. But the figures published by the Geological Survey of the Department of the Interior shows that other countries consume half as much oil as the United States, while their soil contains seven times more.

"These countries consume at the present time two million barrels a year; at this rate, they have reserves sufficient for 250 years. The United States consume 400 million barrels a year; they have only enough for 18 years.¹

"The total amount of oil which can still be extracted from the soil of the entire world has been computed at 60,000 million barrels—43,000 million have already been brought to the surface by successful borings.

"Of the 60,000 million which remain to be ex-

¹ Cp. Part III, chap. xiv, *How the United States Lost Supremacy over Oil*,

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tracted, 7,000 million are to be found in the United States and in Alaska; 53,000 million in the rest of the world."

That is why the American Navy, having in view the treatment of bituminous shale by distillation, has reserved to itself the rights over immense deposits, chiefly in Colorado and Utah. If the United States do not succeed in acquiring new oil-fields in the rest of the world, the position will become so serious that they will only be able to avoid war at the price of economic vassalage.

There is oil in all parts of the world, and yet dominion over oil is one of the most concentrated possible.

From Alaska almost to Tierra del Fuego, every country in the New World possesses some.

Alaska.

Canada: its presence was discovered in 1789 by Sir Alexander Mackenzie.

United States.

Mexico.

Central America.

Venezuela.

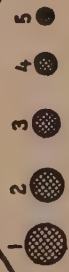
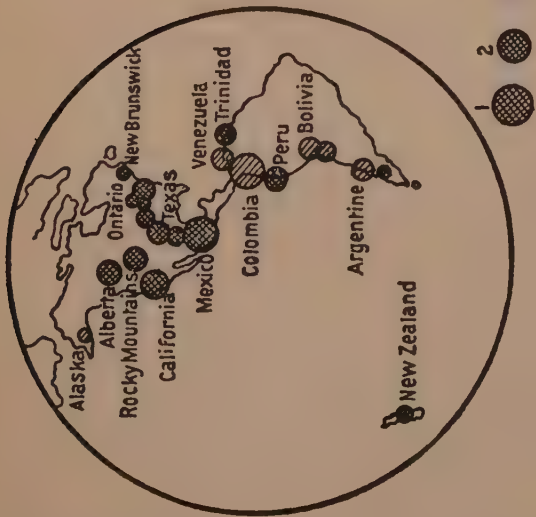
Trinidad, Guiana.

Colombia.

Ecuador, Peru, Bolivia.

Chili, the Argentine.

Brazil and Uruguay: it is hoped that oil will be found shortly.



Regions Productive Under Exploitation

The size of the circle indicates the importance of the oil-bearing region.

Map of the Principal Oil-bearing Regions of the World.

In Europe it is less evenly distributed:

Hanover (Wenigsen).

Alsace.

Italy.

Poland. The Ukraine. Rumania.

Hungary: a subsidiary company of the *Anglo-Persian*, the *D'Arcy Exploration*, found oil deposits in March 1921.

Asia is nearly as rich as America:

The Caucasus.

Persia, Mesopotamia.

Dutch Indies.

Siam, Burma.

China.

Japan and Formosa.

Africa and Oceania, on the contrary, seem to possess only small quantities of the precious oil. There is some in North Africa, in Egypt, and possibly in Madagascar. The great British prospecting group, which I have already mentioned in connection with Hungary, is making a thorough search at this moment in Western Australia and New Zealand.

Now nearly all these oil-fields, scattered in the four corners of the world, and in so many different countries, are at the present moment in the hands of two great trusts—one American, the *Standard Oil*, and the other Anglo-Dutch, the *Royal Dutch-Shell*—and certain companies controlled by the British Government.

PART II

THE STRUGGLE OF THE
TRUSTS

CHAPTER IV

THE STANDARD OIL COMPANY

Although it sometimes happens that governments oppose each other openly in the struggle for oil, as in the case of Poland, Rumania, the Caucasus, and Turkey, they prefer, in general, to hide behind trusts.

There exist in the United States numerous oil concerns whose power is far from negligible, such as the *Sinclair Oil Company*, with a capital of 500 million dollars, and the *Texas* and the Doheny interests, which together represent another 500 million dollars. But all these independent producers must bow before the unchallenged supremacy of the *Standard Oil*.

The *Standard Oil*, a purely American concern, preceded the *Royal Dutch*—a Dutch company with considerable British, and recently a little French, capital¹—by twenty years.

As a matter of fact, there is no longer to-day one *Standard Oil*, but forty companies, all bearing this name followed by that of a town or State:

¹ Forty per cent. of the capital of the *Royal Dutch* is in French hands, but France unfortunately has no voice in the direction of this undertaking.

*The Standard Oil of New Jersey,
The Standard Oil of Pennsylvania,
The Standard Oil of Kansas,
The Standard Oil of Ohio.*

The first is the most important. All are federated under one great administrative body.

The Chairman of the Board of Directors of *Standard Oil Companies* is at the present time Mr. Bedford, formerly Chairman of the *Standard Oil of New Jersey*, where his place has been taken by Walter Teagle. This great Council is the real brain of the *Standard*, from which emanates the general policy of this federation of companies, as powerful as the Government of the United States—more powerful sometimes.

Its history, like that of all American trusts, has something of the marvellous. At the beginning of a great undertaking there is always a great man: the founder of the *Standard* was John Rockefeller, a small dealer in oil, who, in 1865, conceived the idea of forming a federation of all American oil-dealers.

There were in 1870, in the United States, 250 refineries, which waged among themselves a merciless price-war.

It was to put an end to this struggle, which was so advantageous to the consumer, that the *Standard Oil Company* was created, *a combine of refiners, not of producers*. Following a strict and constant princi-

ple, which it has always observed, the *Standard* has refrained from seeking raw oil, leaving this task entirely to the prospectors and producers. But as soon as it reaches the surface, the oil, wherever it is found, becomes the exclusive property of the Company, to whose innumerable refineries it is conducted by pipelines. The original *Standard Oil Company*, that of Ohio, began humbly with a capital of a million dollars, and the small consumption of 600 barrels a day. Established in Cleveland, it grouped together all the interests in the refining and transport of oil acquired in Pennsylvania since 1865 by Rockefeller, Andrews, Harckess and Flager. Two years later, not only had it brought all the refineries in the neighbourhood of Cleveland under its own control, but it had built others at Baltimore, Philadelphia, New York, Boston, and Pittsburgh.

Six years after its inauguration, it already acquired the greater part of the crude oil produced in the United States. Moreover, its capital had been twice increased, in 1872 and 1874.

At the end of ten years, it transported and distributed 95 per cent. of the American output.

In 1881 it amalgamated thirty-nine oil companies. The trust was constituted and already disposed of a capital of 75 million dollars. The first cycle of its growth was finished. Supreme in the United States market and sure of its monopoly, it completed the

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laying of its first pipe-line to the Atlantic. The *Standard Oil* was about to lay claim to Europe.

THE AGREEMENT OF JANUARY 2, 1882

Such fortunes were not built up by entirely honourable methods. The directors of the *Standard Oil of Ohio* had formed pools. They imposed buying and selling prices on every company which participated. This system, which in a dozen years gave such wonderful results, was not without its faults. There was friction between members of the pool. The need for establishing unity of direction was soon felt. It was with this object that the *Standard Oil Trust* was founded in 1882.

It was the first time that the word "Trust" appeared in the name of a firm. A Committee of nine members, or trustees, was formed. It comprised all the Rockefeller family: John Rockefeller, Payne, William Rockefeller, Bestwick, Flager, Warden, Pratt, Brewster, Archbold. The nine trustees became the sole delegates and depositories of all the 39 companies conjointly engaged. They received from each concern the shares and the corresponding voting powers. Trust Certificates, of a nominal value of 100 dollars, were exchanged for shares only in the proportion of the value of each undertaking to the total value of all the undertakings constituting the Trust.

The Agreement of 1882 which sealed the pact, provided for the admission into the Trust of new companies and the eventual formation of a *Standard Oil Company* in each State of the Union.

Companies of four kinds entered the combine of 1882:—

1. Fourteen companies in which *the whole* of the shares were held by the trustees. Among these were the *Atlantic Refining Company*, the *Standard of Ohio*, and the *Standard of Pittsburgh*. The first of these companies succeeded in recovering its liberty in 1911.

2. Rich private individuals, having an interest in the oil industry and holders of large parcels of shares, such as W. C. Andrews and John Archbold.

3. Twenty-four companies in which the *majority* of the shares were held by the trustees:—

Central Refining Company of Pittsburgh,
Germania Mining,
Empire Refining,
Keystone Refining,
National Transit Company, etc.

These twenty-four companies placed themselves under the control of the Trust from 1882 onward. Two others have come in under compulsion:—

(1) The *Tide-water Pipe-line Company*, having constructed pipe-lines itself, entered into fierce competition with the *Standard*. On October 9, 1883, it was compelled to negotiate with the *National Company*. Under the resulting contract, it agreed to provide $11\frac{1}{2}$ per cent. of the quantity sent to the ports by pipe-lines as its share of the traffic, and was guaranteed an annual profit of at least half a million dollars for fifteen years.

(2) The *Producers' Associated Oil Company*, born of a concerted effort of independent producers to fight the *Standard*, gave in in October, 1887.

4. One other company alone forms the fourth class. The Trust has an interest in this but has never been able, whatever its efforts, to obtain the majority of the shares and to control the company. This is the *United States Pipe-Line Company*. This company experienced many difficulties and mortifications. After having struggled against the inertia of the railways devoted to the *Standard Oil*, and spent more than 15,000 dollars on law costs alone, it succeeded in pushing its lines up to Washington, but could never get any further, nor reach the coast; the *Standard* bought up the intervening territory.

At its zenith, in 1911, when it was declared illegal

by the Supreme Court of the United States, the *Standard* owned 90 per cent. of the pipe-lines and controlled 86½ per cent. of the oil production of America. A single company, the *Pure Oil Company*, founded in 1895, whose field of exploitation was Germany, was able to maintain its independence. The seventy-five small refineries existing outside the Trust did not refine, all put together, a fifth as much as the *Standard*. The refinery which the latter possessed at Bayonne was by itself more important than ten of these competing refineries.

The European market was almost completely conquered. Everywhere the *Standard* operated by means of its subsidiary companies:—

The *Anglo-American Oil Company* in Great Britain.

The *American Petroleum* in Holland.

The *Deutsche Amerikanische Petroleum Gesellschaft* in Germany.

The *Société pour la Vente du Pétrole* in Belgium.

The *Vacuum Oil* in Austria-Hungary.

The *Societa Italo-Americana per Petrolo* in Italy.

The *Romana-Americana* in Rumania.

The *Danske Petroleum Altieselskabet* in Denmark.

The *Swenska Petroleum Altiebolage* in Sweden.

The *International Oil* in Japan.

In Galicia, the Trust held its own against all similar indigenous enterprises. The Rumanian refiners

were obliged to come to an understanding with it; otherwise it would, with its powerful means of pressure, have created a monopoly for itself. And the *French Oil Cartel* was at its mercy.

CAUSES OF THE SUCCESS OF THE STANDARD

The difficulty is not to produce oil, but to transport it, for it is generally found in more or less desert regions. Hence Rockefeller's brilliant idea, to construct pipe-lines bringing the oil direct to the great centres! Thenceforward, since the oil was transported almost automatically, its price dropped considerably. All the producers became tributaries of the pipe-lines, and the *Standard* obtained practically complete control of the market.

This was the first cause of the success of the *Standard*. All the small producing companies became compulsorily its clients. As controller of the market, it fixed the price in draconian fashion.

There is a second cause: its alliance with the great railway companies, and the support which it received from the railway magnates—Scott of the *Pennsylvania Railroad*, Vanderbilt of the *New York Central*, Jewet of the *Erie Railroad*, Watson of the *Lake Shore*, and many others less well known.

Its subsidiary, the *South Improvement Company*, on January 18, 1872, made contracts with the railway companies, by which it fixed the proportionate

shares in the transport of oil to the Atlantic seaboard as follows:—

27½ per cent. to the *Erie*,
 27½ per cent. to the *New York Central*,
 45 per cent. to the *Pennsylvania*.

The companies thus favoured by the *Standard* made their competitors pay double rates. One of these latter produced before the Inter-State Commerce Commission the scandalous tariffs demanded of them:

On the *Louisville and Nashville Railroad*, increased rates to competitors of 87 to 333 per cent.;

On the *Cincinnati, New Orleans, and Texas Pacific*, from 63 to 267 per cent.;

On the *St. Louis, Iron Mountain and Southern*, from 82 to 257 per cent.

Systematic negligence in transport was proved with regard to competitors. The *Union Tank Line Company*, which owns tank-wagons as the *International Sleeping Car Company* owns restaurant cars, would only put them at the disposal of the *Standard*, and compelled its adversaries to dispatch their oil in barrels, which is much more costly. The Trust alone was entitled to lay its pipe-lines beside the railway-lines or underneath the track. It possessed 35,000

miles of such lines at the end of last century—or rather the *National Transit Line*, which acts as its instrument, owned them. Such abuses could not be allowed to continue. The inquiry by the Hepburn Committee revealed a multitude of crying injustices. For example, it was enough for the *Standard* or the *South Improvement* to telegraph “*Wilkinson and Co.* have received a truck which only paid \$41.50; screw them up to \$57.50,” and the order was executed.

The Charter of the *South Improvement*, which had even succeeded in acquiring the right of expropriation in order to construct its pipe-lines, was withdrawn under the pressure of indignant oil-producers. But the Federal Government of the United States will never succeed in crushing the *Standard Oil*.

ITS TWO DISSOLUTIONS—ROOSEVELT’S FIGHT AGAINST THE STANDARD OIL

Twice over, in 1892 and 1911, its constitution was judged illegal, but in vain.

In 1892 the system of nine trustees was declared illegal by the Supreme Court of Ohio. The trustees voted the dissolution of the Trust, but continued to administer all the corporations in the same way until 1899. The Trust was apparently divided into twenty distinct companies; the nine old trustees distributed the shares in such a way as to possess the majority

in each one. Thus they made sure, as before, of unity of direction. Rockefeller had reversed the judgment of the court.

Here is the legal formula, which is dignified in its simplicity: "John Rockefeller has placed in the hands of the said attorney $\frac{256,854}{292,500}$ of the total shares held by the said trustees on July 1, 1892, in each of the companies whose shares were deposited."

Still better, after receiving the shares which were granted them in each company, the old trustees took them and sold them to the *Standard Oil Company of New Jersey*, which has a capital of 100 million dollars of common stock, and only ten million dollars of preferred stock. For the *Standard* has a monarchical constitution. All power to the holders of preferred stock! The holders of common stock have none but that of drawing dividends. Though they may be in an enormous majority, they count for nothing in the direction of the enterprise.

About 1900 Rockefeller went still further. He increased the number of ordinary shares, and reduced that of the privileged shares. A memorandum of the Industrial Commission drew attention to this. "During the year 1900, the common stock has been increased by 38,550,700 dollars and the preferred stock has been reduced by 3,968,400 dollars."

In short, Rockefeller makes the concern more and

more autocratic. The *Standard* forms a veritable State within a State, which nothing can bend. The Trust was reconstituted, with a holding company, the *Standard Oil Company of New Jersey*, holding the title-deeds of all the other companies.

It was then that Roosevelt undertook to destroy a power before which everything bowed down. The Federal Government brought an action before the Court of St. Louis, under the Sherman Anti-Trust Law. The *Standard Oil* and the seventy companies dependent on it were accused of "conspiracy, coercion, intimidation, rebating and other illegal acts in restraint of trade." The Federal Court of St. Louis ordered the dissolution of the Trust in 1909. The *Standard* entered an appeal before the Supreme Court of the United States, which confirmed the dissolution in 1911, after five years of inquiries, prosecutions, judgments and appeals. The struggle had been going on since 1906. Many judgments had to be reversed. Thus, the *Standard Oil Company of Indiana*, with a capital of only a million dollars, was ordered to pay a fine of 29 million dollars for an illicit understanding with the *Chicago and Alton Railway*. It was paying only six cents a hundredweight for transport, while its competitors paid eighteen. This judgment was reversed in July 1908 by the Court of Appeal of Chicago. "It is strange," ran the decision "that a company with a capital of a mil-

lion dollars should be fined a sum representing twenty-nine times this capital." The first tribunal had found 1,462 infringements proved, and had zealously applied the maximum for each case; that is how it had arrived at the incredible figure of 29 million dollars.

The *Standard Oil* was given six months to dissolve. The result was the same as in 1892. There were simply thirty-four companies apparently independent. In the midst of this new constellation, the *Standard Oil Company of New Jersey*, whose capital has risen to 600 million dollars, merely shines with a greater brilliance than its satellites. And the *Standard* has no longer to fear attack from the Government of the United States, which bows obediently to its will. Even better, the late President Harding energetically supported its claims throughout the world. Whoever attacks the *Standard* attacks the Federal Government itself.

To think of Rockefeller's modest company in 1870, with its 600 barrels a day and its small capital of a million dollars, and to see what it has become to-day, is to be lost in amazement. In 1920, the Great Council of the *Standard* controlled a capital of a thousand million dollars; representing almost equal profits, and a daily consumption of two hundred million barrels, which it even hopes to see presently increased to three hundred million. Here are the

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original and the present positions; they are widely
different:—

Capital has increased from 1 to 1,000.

Profits have increased from 1 to 100,000.

Production has increased from 1 to 300,000.

The *Standard* has soared so high because it was a national enterprise. Every bank, every shipping company, every railway in the United States, was interested in the success of the Trust, for this great corporation exported to the four corners of the world a commodity drawn from the soil of the Union, and brought into the country, one year with another, more than a hundred million dollars. It looked as though all competition was impossible, and yet a European company has been found bold enough to attack, not only in Europe and Asia, but on its own ground of the United States, this financial power, whose turnover must be estimated at twelve thousand million francs at least, or more than twice the pre-War budget of a nation like France.

CHAPTER V

THE ROYAL DUTCH-SHELL

In face of the formidable hegemony which the *Standard Oil* exercised over the oil markets of the world, an opposition arose, at first timid, then bolder in proportion as success attended its efforts.

This was the *Royal Dutch* allied to the *Shell*. Thirty years have sufficed to give it a unique position in the world.

It was in 1890, at The Hague, that the *Royal Dutch Oil Company*¹ was founded, with a capital of 1,300,000 florins. As a result of borings carried out in the Sunda Islands, the Government of the Dutch Indies granted it concessions at Sumatra. After some years, as the sale of crude oil did not give a sufficient return on the capital already sunk, the directors of the young company resolved to erect a refinery on the spot. It was necessary for this purpose to increase the capital to 1,700,000 florins in 1892. A strange fact to relate to-day, this issue was a failure.

¹ The Netherlands were then in the position in which France now finds herself. The *Royal Dutch* began by sending two engineers to the United States to familiarize themselves with the details of oil production, since Holland possessed no such industry.

The capitalists of the day had lost confidence in an undertaking whose net profits for two years had been *nil*. In spite of these initial difficulties, the board of directors persevered. It even acquired new concessions, whose more profitable exploitation allowed of a first dividend in 1894 of 8 per cent. This distribution restored the confidence of the public, and the *Royal Dutch* was able to increase its capital without difficulty in 1895 to 2,300,000 florins, with a view to extending its sphere of action. In the same year it was able to distribute a dividend of 44 per cent. Considering the importance of its operations, the company decided in 1897 to increase its capital to 5,000,000 florins, in order to obtain tank steamers to transport its products. The dividends had then risen to 52 per cent., but it could not keep up for long so exceptional a rate. For, from 1898 onward, the *Standard*, becoming uneasy, tried to obtain control over its rival. To escape from its grip, the *Royal Dutch* was compelled to issue one and a half million preference shares, which were allotted to friendly groups. A bitter economic struggle followed. The *Royal Dutch* maintained its independence, but the *Standard*, to destroy its young rival, did not hesitate to sell in extra-American markets at less than cost, and the steady lowering of the price of oil compelled the Dutch company to reduce its dividend to 6 per cent. It was maintained

at this rate the following year, but began to rise again in 1900, and reached 24 per cent. in 1901.

Since then the *Royal Dutch* has progressively increased its capital to the present fantastic figure, under conditions which were so many windfalls for its shareholders. Its dividends during the great world War rose to the enormous rates of 45, 48 and even 49 per cent. There were some years when it went so far as to distribute to its shareholders dividends in shares of 200 per cent., thus tripling its nominal capital.

THE ALLIANCE WITH THE SHELL

The early career of the *Royal Dutch* was as modest as that of the *Standard Oil* and far more troubled. At its very beginning it found in the East a young British firm, the *Shell Transport and Trading Company*, which put up a keen competition, the more disastrous because the latter possessed a fleet of tank steamers, while the *Royal Dutch* as yet had none. The *Shell* was directed by Sir Marcus Samuel, one of the cleverest business men in London.

Samuel had begun humbly as a trader in sea-shells. His business prospering more and more, he hunted about for some commodity to exchange for the shells which he brought from the East. He decided upon oil, and became himself a producer in Borneo.

In 1897 the *Shell* was registered in Great Britain, with the view of absorbing the business of *Samuel and Company* and certain other similar concerns. The new company had a large number of tank steamers and hundreds of depots.

The *Royal Dutch* had then amalgamated the greater number of the independent producers of the Sunda Islands, but was experiencing some difficulty in getting its oil to Europe, and so decided to negotiate with the *Shell*.

Hence the agreement of 1902, by which the two companies entrusted the sale of their products to a company which they created specially for the purpose, the *Asiatic Petroleum*. Its capital was subscribed as follows:—

$\frac{1}{3}$ by the *Royal Dutch*,
 $\frac{1}{3}$ by the *Shell Transport*,
 $\frac{1}{3}$ by the Rothschilds.

This simple alliance became a complete union ten years later. The *Royal Dutch* and the *Shell* amalgamated on the following basis:—

On January 1, 1907, the two groups transferred their assets to two companies, one Dutch, one British. These were the *Bataafsche Petroleum Maatschappij* and the *Anglo-Saxon Petroleum*.

The *Bataafsche*, or *Batavian Oil Company*, which now has a capital of 200 million florins, was

especially entrusted with the extraction of oil and with everything concerning its production. Its oil-fields are situated in Java, Sumatra and Borneo, and it exploits them directly or by subsidiary companies. It has interests in the Mexican *Corona* company and in many Russian companies.

Although this last part of its program has not hitherto been productive, the *Bataafsche* has distributed during the last few years dividends representing annually nearly half its capital. Directly or indirectly, it is responsible for almost the whole production of the Dutch Indies, which amounts to nearly 20 million barrels annually, and is steadily rising. To meet this increase, the *Batavian Oil Company* is obliged every year to construct new reservoirs. In 1920 their capacity had reached more than 900,000 tons.

The *Anglo-Saxon Petroleum*, with its head-quarters in London, was entrusted with everything concerning the transport and sale of oil, that is to say, with the commercial side of the business. Unlike the *Bataafsche*, this company undertakes no direct exploitation, although it controls the production of a large number of subsidiary companies in Ceylon, British India, Malay, Northern and Southern China, Siam, the Philippines, Australia, New Zealand and South Africa. For the *Royal Dutch-Shell* has an almost organic structure. Instead of reproducing itself in

new companies, always the same, like the *Standard Oil*, it only receives new adherents for distinct functions. One company is entrusted with the distribution of its products, another with the exploitation of oil-fields or with refining. The *Royal Dutch* and the *Shell* have become to-day holding companies. In 1907 the *Royal Dutch* ceased to be an industrial enterprise and became an omnium of oil securities.

Forty per cent. of the profits resulting from this co-operation were to come to the *Shell*, 60 per cent. to the *Royal Dutch*, which has reserved the lion's share for itself.

At the time of signing this agreement the *Shell* was not without a certain anxiety. Thus it was agreed, in order to safeguard its interests, that the *Royal Dutch* would buy, on January 1, 1907, half a million ordinary shares of the *Shell* at the price of thirty shillings, and would undertake not to sell again without the consent of the board of directors of the *Shell*.

In case of liquidation or sale by private contract before January 1, 1932, it was stipulated that the net product of the liquidation, up to £9,000,000 sterling, was to be divided equally between the *Shell* and the *Royal Dutch*, and that only above this amount the products should be shared in the proportion of 40

and 60 per cent. We see how closely these two concerns are allied. The only difference which exists between them is that, officially, one is Dutch, the other British.

DETERDING'S FIRST VICTORY. THE CHINESE CAMPAIGN

Freed from all obstacles in the Dutch Indies and allied with one of the most powerful British firms, the *Royal Dutch*, under the skilful guidance of Henry Deterding, was ready to attempt a conquest of the world.

But for the second time it came up against the hostility of the *Standard Oil*, which waged a bitter warfare in the Far East—the famous price-war of 1910.

The *Standard Oil of New York* considered China as its private property. It had taught the Chinese to use kerosene by distributing, free of charge, lamps inscribed *Mei Foo*, or *Good Luck*. When this method became too expensive it sold them at cost price, and when the *Royal Dutch* appeared as a competitor it was selling, in this way, two million lamps a year. With a population of 400 million Chinese, this produced an unlimited market for kerosene, for which, in comparison with petrol, the American demand is small.

The *Standard* tried to fight by selling refined oil below cost price in foreign markets, while keeping the price very high in America in the shelter of the tariff wall. It even went so far as to sell in the Far East 50 per cent. lower than in Holland, although the latter market was nearer the American oil-fields. At the same time the refined American oil, which was quoted in England at the end of August 1910 at 6¼d. a gallon, fell at the end of November to 5¾d., and in December to 5½d. Deterding's receipts from the sale of kerosene were reduced by 3,750,000 dollars. But he would not give way. He did not leave China; he stood his ground and fought. Although his oil was of an inferior quality to that of the *Standard*, it was near at hand, and had not to be transported for long distances like that of its rival (which involved the latter in great expense). An agreement was finally made. The *Standard*, which had taken possession of the Chinese market in 1903, gave up 50 per cent. of that trade to the *Royal Dutch*. The latter's share has even been increased recently to 60 per cent. For the first time Deterding had conquered!

Perhaps he would not have triumphed so easily if the *Standard Trust* had not been dissolved just at that time by the Supreme Court of the United States. But two such powerful groups could not have con-

tinued indefinitely to struggle for the international market without making sure of some stability and limiting their respective zones of operation.

After many attempts they have come to an understanding.

In 1907 an agreement fixed the quota of oil that each group might send to the British market.

In 1912 an agreement of a similar kind put an end to the struggle that had been going on in the Far East.

The absence of a definite general agreement between the two great Trusts did not exclude the possibility of tacit agreements, which regulated their operations in the international market and assured to both an extraordinary prosperity. *The Standard has several times made very tempting offers of close co-operation to the Royal Dutch, leaving this group free to make its own conditions.* The *Royal Dutch-Shell* has always refused, for *the future is its own*. What will happen to the *Standard*, an almost exclusively American concern, when the oil resources of the United States are exhausted? Since 1919 it has been endeavouring to acquire oil-fields in the rest of the world, to guard against this danger, but everywhere it finds the "closed door." The *Royal Dutch*, aided by the British Government, has taken possession of all that remain in the world.

NEW STRUGGLE WITH THE STANDARD OIL
FOR THE CONQUEST OF THE WORLD

One day, to the great astonishment of everybody interested in the American oil industry, Mr. Deterding brought a cargo of oil to the United States and sold it under the very nose of the directors of the *Standard Oil*. Emboldened by this first success, he tried to establish himself in the United States, and with this aim in view bought oil-bearing properties in Oklahoma. The *Royal Dutch* rapidly increased its territory.

By a bold policy and without recourse to the sharp practices of the directors of the *Standard Oil*, Deterding revenged himself for the attack upon him in the Far East. The *Royal Dutch* sent large quantities of petrol to America and sold them at rates as high as those of the *Standard*. This enabled it to make good its losses in the Old World and to emerge victorious from the struggle.

During his Chinese campaign Deterding had been handicapped by the inferiority of the oil from Borneo. To remedy this he proposed to obtain possession of various Californian wells.

Of all the wars that Deterding has waged, that of California is the most interesting and perhaps the most strenuous. It required a remarkable audacity for the *Royal Dutch* to establish itself on the very

territory of the *Standard* in America. Would it not meet there the coalition of this great firm and the independent oil companies? And yet Deterding triumphed. He created the *Roxana Petroleum Company* in Oklahoma, the *Shell Company of California* on the shores of the Pacific, and then extended his conquests to Texas, New Mexico, Colorado, Utah, Arizona, Montana, Dakota and Nevada. Everywhere the *Royal Dutch* brings with it its curious methods. It begins by taking an option for six months on an oil bearing property, giving it the right to examine the books of the company and to make an inquiry. At the end of six months it takes an option on another property, and continues in this way throughout the region. After leaving nearly all the options without sequel, the *Royal Dutch* is ready to begin boring operations on its own account in selected places.

This method, adopted for the first time in California, is to-day the *habitual method* of the *Royal Dutch-Shell*. Thus this company rarely makes miscalculations in the oil-fields it exploits. Its agents have orders to report the minutest details to headquarters.

In order to interest the American public in the success of his enterprise, Deterding was clever enough to place upon the New York market, in 1916, 220,000 so-called American shares. This issue was a great success, and it has thus become against the in-

terest of many Yankees for the United States Government to start reprisals against the *Royal Dutch*, of which the late President Harding has often spoken.

In 1915 the *Royal Dutch* already controlled one-ninth of the American output. *One-third of its total production comes to-day from the United States.* It has obtained for its pipe-lines the right of passage to St. Louis and the river, and its surveys of Virginia and Louisiana are complete. It owns the great refineries of Martinez, near San Francisco, and of St. Louis and New Orleans.

Seventy-five per cent. of the Californian output, which exceeds ten million tons, now escapes the control of the *Standard Oil*.

But more than this, the *Royal Dutch* is gaining possession of the deposits of Mexico and Venezuela. The oil-bearing territories of Tampico and Panuco, the railway, and the local oil companies belong to Mr. Deterding. The importance of this region is well known. Its geographical position, a few miles from the sea, and its nearness to the Panama Canal double its value. Three hundred and fifty kilometres by sea, one hundred and seventy-five by pipeline across the isthmus of Tehuantepec, and the oil can be delivered at a centre which commands the whole South American market.

Not content with conquering the *Standard Oil* on its own ground, Deterding also caused it to lose its

“Algeria.” Master of the *Mexican Eagle*, which he bought from its founder, Lord Cowdray, in 1918 for more than a thousand million francs, he controls to-day the bulk of Mexican production. By this master-stroke he increased by 50 per cent. the quantity of oil that the *Royal Dutch* can offer to the world.

The Americans felt the loss very keenly, for hitherto all the output of the *Mexican Eagle* had gone to the *Standard Oil*.

The *Mexican Eagle* had a large number of tank steamers, the acquisition of which brought up the fleet of the *Royal Dutch-Shell* to more than a million tons.

Moreover, the directors of the *Royal Dutch* do not hesitate to assert that the oil-bearing district of Venezuela, of which, since their agreements with the *General Asphalt Company*, they control more than 15,000 square miles, is as rich in oil as the district of Tampico. That is why they have put up enormous buildings, both warehouses and refineries, at Curaçao. The *Shell*, which has operated for four or five years in Venezuela, has just overcome the difficulties of approaching the coast by constructing a flotilla of tankers of very small draught, thus permitting the transport of oil from Maracaibo to Curaçao.

The Panama Canal itself is seriously menaced. The United States have spent more than 300 million

dollars in constructing the canal, and now American vessels are going to be dependent upon the *Royal Dutch* for oil. Mr. Deterding has a depot at one end of the canal and another at the entrance to the gulf. He dominates American commerce.

This is indeed a work of conquest. Mr. Deterding follows the commercial example of Great Britain. *He has stations at all the strategic points of the world.* He also controls the Suez Canal at both ends. The capacity of the refinery at Suez has been increased by 7,000 barrels a day, on account of the increase in the tonnage passing through the canal during the War. Mr. Deterding is building a station on the Cape Verde Islands, situated just half-way between Africa and America. He has establishments at the Antipodes, in the East and West Indies, on the west coast of South America, on the coast of Africa, and at the Azores. The European market, in particular the French, is dependent on him. Through the instrumentality of M. Deutsch de la Meurthe, the oil deposits in Asia, owned by the Rothschilds, have come under the *Royal Dutch* trust, which possesses 90 per cent. of the capital of the oil companies of the Caspian and Black Seas and 25 per cent. of that of the *New Russian Standard Company* of Grosny. In August 1920 the *Shell* bought the *Mantasheff* and the *Lianosoff*, together with a 40 per cent. interest in the *Tsatouroff*, fearing to see the *Standard Oil*

acquire the Nobel properties at Baku. The contract was signed in London, but was incompletely carried out, for Great Britain hoped to treat directly with the Soviets at Genoa and to have no more responsibility towards the former owners.¹

A large part of the Rumanian production is controlled by the *Royal Dutch*.

In Germany the *Royal Dutch-Shell* has an interest in the *Erdol und Kohle Veränderung Aktien Gesellschaft*, the *Aktien Gesellschaft für Petroleum Industrie* and the *Deutsche Bergin Aktien Gesellschaft*.

Since 1912 it has established itself in Sweden as the *Anglo-Swedish Oil Company*, to drive out the *Standard Oil*, until then mistress of the market. Everywhere the *Royal Dutch* insinuates itself into the good graces of governments, thanks to its elastic methods and to the cleverness of some of its directors, such as the brilliant Armenian Gulbenkian, who has been well named the "Talleyrand of Oil." In co-operation with the Belgrade Government, it has just formed a new company at Agram, with a capital of 50 million crowns, to exploit the oil of Jugoslavia.

As the *Financial Times* wrote: "Following the creation in France of the *Société Maritime des Pét-*

¹ A first instalment, representing 70 per cent. of the value of these companies, was alone paid. See chap. xvi, *The Struggle for the Oil-fields of Russia*.

roles and the *Société pour l'Exploitation des Pétroles*, the *Royal Dutch* is able to obtain from the French Government an important interest in the oil-fields which remain at its disposal."

Its last triumph was its entry into Spain. The eminently suggestive list of companies controlled by the *Royal Dutch* will give an idea of the network which it has spread over the whole world:—

Shell Transport and Trading Company.

Asiatic Petroleum Company.

Anglo-Saxon Petroleum.

Bataafsche Petroleum Maatschappij.

Erdol und Kohle Veränderung Aktien Gesellschaft.

Aktien Gesellschaft für Petroleum Industrie.

Deutsche Bergin A. G.

Anglo-Swedish Oil Company.

Asiatic Petroleum (Ceylon).

Asiatic Petroleum (Egypt).

Asiatic Petroleum (Federated Malay States).

Asiatic Petroleum (India).

Asiatic Petroleum (Northern China).

Asiatic Petroleum (Philippines).

Asiatic Petroleum (Siam).

Asiatic Petroleum (Southern China).

Asiatic Petroleum (Straits Settlements).

Anglo-Egyptian Oilfields.

British Imperial Company (Australia).

British Imperial Company (New Zealand).

British Imperial Company (South Africa).

Astra Romana.

Caribbean Petroleum.

Dordesche Petroleum Industrie Maatschappij.

Dordesche Petroleum Company.

Sumatra Palembang.

Nederlandsche Indische Tanks Troomboat.

Vereinigte Benzinwerke, Hamburg.

Home Light Oil Company.

British Petroleum Company.

Norsk Encelska Mineralojeanie Colaget.

Shell Marketing Company.

Italian Company for the Import of Oil.

British Tanker Company.

Moebi Hid.

Ceram Petroleum.

Ceram Oil Syndicate.

Société Bnito.

North Caucasian.

Russian Standard of Grosny.

Mazut Company.

Ural-Caspian Company.

Grosny Sundja Oilfields.

New Shibaïeff Petroleum.

*Commercial and Industrial Oil Companies of the
Caspian and Black Seas.*

Mantasheff.

Lianosoff.

Tsatouroff.

Kotoku Oilfields Syndicate.

United British Refineries.

New Orleans Refining Company.

Simplex Refining Company of Panama.

Panama Canal Storage Company.

Shell Company of California.

Californian Oilfields, Ltd.

W. V. Oil Company.

Volley Pipe-Line Company.

Roxana Petroleum Company (Oklahoma).

Trahola Pipe-Line Company (Oklahoma).

Shell Corporation of Martinez.

Shell Company of Canada.

Roxana Petroleum Maatschappij (Texas).

Tampico-Tanuco Petroleum.

La Corona.

Mexican Eagle.

Eagle Oil Transport.

Venezuelan Concessions Company.

Curaçao Petroleum.

General Asphalt Company.

Burlington Investment Company.

United British Oilfields of Trinidad.

United British West Indies Petroleum Syndicate.

Turkish Petroleum.

Roxana Petroleum Corporation of Virginia.

Ozark Pipe-Line Corporation.

Union Oil of Delaware.

Société Maritime des Pétroles.

Photogen (Austria, Hungary, Poland).

Jugo-Slav Petroleum.

This list is certainly not complete, and it grows longer every day. Is it not eloquent by itself?

The *Royal Dutch* has penetrated every State in the world, assuming everywhere the national colour of the country it desires to conquer.

It has travelled far since it began in the Dutch Indies, with a tiny capital of a million florins and seven small tank steamers. Its annual production, which was then 25,000 tons, to-day exceeds 15 million tons. Its fleet of tankers is one of the most powerful in the world. Last year it amounted to 1,400,000 tons. *And the Royal Dutch controls a capital of twenty-two thousand million francs.*

PARTIAL DECLINE OF THE STANDARD

The *Standard Oil* is certainly no longer the colossus of the world. It has never completely recovered from the last judgment delivered against it in 1912, which compelled it to separate from its subsidiary companies. Although the sentence of the Supreme

Court could not put an end to the community of interests which united these—since Rockefeller himself possessed 25 per cent. of the shares of the various affiliated companies—it has certainly hampered the development of the *Standard* during the last few years. The very heavy taxation imposed upon it has also contributed to limit its powers of expansion. The American Government takes 44 per cent. of its income in the form of taxes. In 1920 Rockefeller paid an ordinary federal tax of 12 per cent. and a super-tax of 65 per cent. In fact, Rockefeller and all his associates are being driven out of the business by the federal taxes. If Rockefeller is the person who paid in 1920 the largest sum in income tax (14,800,000 dollars), it is clear that the greater part of his money is passing from the coffers of the company to be invested in Government, State and municipal securities which are not taxable.

Up to about 1890 the Standard Oil reigned as absolute mistress of the oil market, both in Europe and America. But in 1890 the oil from the Caucasus, Galicia and Rumania began to break up this monopoly. Purely European financial groups, the Rothschilds of Paris and Vienna, the Nobels of Sweden, the great German banks, and those of Lille and Roubaix which later were to form the "Consortium du Nord," became progressively more and more inter-

ested in the new oil enterprises that were taking shape in Eastern Europe. Germany had formed an actual Trust, the *Europäische Petroleum Union*, which, but for the War, would certainly have led to German control of all European oil. Instead of only two great Trusts fighting for world supremacy for the benefit of Britain or the United States, we should see a third, claiming Europe and Turkey in Asia for its share in the name of Germany.

But this group, expanding rapidly when war broke out, found itself opposed from that moment by another organization, the *Royal Dutch-Shell*, which was also advancing by giant strides and which concentrated all its power throughout the world against that of the *Standard Oil*.

The most skilful part of the policy of the *Royal Dutch* was to *establish itself wherever there was any oil*, while the *Standard* confined itself almost exclusively to America. This was a great mistake. To dominate the production and sale in America was defensible as a commercial policy so long as the United States were the greatest producers of oil. It became an error from the day on which important oil deposits were discovered in other parts of the world.

The *Standard* still has the preponderance in the United States, where the *Shell* only appeared in 1900, but it is far from controlling 86 per cent. of

the output, as it did at the height of its power in 1911. It has been much too negligent about extra-American oil deposits.

In 1890 a representative of the *Standard Oil* was in Java, studying the oil situation in the Far East. He urged the *Standard* to establish itself there before any competitor appeared. Hypnotized by the American market, it refused.

In a similar way it came into Rumania too late, and controls only 10 per cent. of the total output, while the *Royal Dutch* controls 31 per cent. In Mexico the *Standard* also met with the competition of the *Royal Dutch*, which, in combination with British interests, takes 40 per cent. of the production. In Russia its rôle is insignificant.

This state of affairs has been brought about by the errors of judgment of the directors of the Trust. *The power of the Standard Oil has diminished*, and it no longer exercises a really effective control except within the United States. Even this control the *Royal Dutch* is striving to filch from it. The latter has just formed a new trust, uniting the companies hitherto independent: the Doheny group and the British Pearson syndicate, the *Associated Oil*, the *Oklahoma Producing* and the *Oil Union of Oklahoma*, with six or eight other undertakings which have been successfully conducted during the last few years. The *Shell* is trying to bring in the *Mexican Petroleum*

Company of Delaware,¹ a sister company to the *Eagle* and the greatest producer in Mexico, which has up to now remained faithful to the *Standard Oil*. That is why it bought up large quantities of *Mexican Petroleum* stock in May 1919 on the New York Exchange. If it succeeds the *Standard* will see its remaining share in Mexico yet further diminished.

This new Trust has the financial support of the Morgans. It is particularly directed against the *Standard Oil*.

These facts are very little known in France. *The Royal Dutch is about to launch a new attack on the Standard*, or to acquire an interest in a Trust destined to combat it, which will perhaps end by grouping under its ægis all Rockefeller's competitors.

The Pearson syndicate, under Lord Cowdray, has joined the *Royal Dutch*. Now, Mr. Doheny himself is coming in too.

The great oil International develops continuously. Where will it end? Already the *Standard Oil* produces no more than 17 per cent. of the oil of the

¹ The *Mexican Petroleum Company of Delaware* has control of a large number of companies in the United States and in Mexico, which include the following:—

Mexican Petroleum of California,
Huasteca Petroleum,
Tamahua Petroleum,
Tuxpan Petroleum,
Mexican Petroleum Corporation,

United States—it is true that it has always disdained the extraction of petroleum—but it refines only 49 per cent., which is a much more serious matter.

RAPID INCREASE IN THE ACTIVITIES OF THE ROYAL DUTCH

PRODUCTION

1910	1,600,000 tons
1913	7,000,000 tons
1920	15,000,000 tons

NET PROFITS

1907	13,000,000 florins
1915	29,000,000 florins
1920	130,000,000 florins

DIVIDENDS

1907	27 $\frac{3}{4}$ per cent.
1915	49 per cent.

AUTHORIZED CAPITAL

1890.....	1,300,000 florins
1902.....	7,500,000 florins
1910.....	50,000,000 florins
1911.....	100,000,000 florins
1916.....	150,000,000 florins
1918.....	230,000,000 florins
1919.....	400,000,000 florins
1921.....	600,000,000 florins

FINANCIAL RESULTS OF THE ROYAL DUTCH SINCE ITS
ACREEMENT WITH THE SHELL.

Year	Gross Profits (in 1,000 florins)	Prior Charges (in 1,000 florins)	Net Profits (in 1,000 florins)	Dividends (per cent.)
1907	13,657	242	13,415	27 $\frac{3}{4}$
1908	13,592	66	13,526	28
1909	12,978	66	12,912	28
1910	14,644	92	14,552	28
1911	13,693	2,652	11,041	19
1912	26,680	302	26,378	41
1913	30,554	384	30,170	48
1914	30,937	571	30,366	49
1915	30,419	440	29,979	49
1916	32,823	193	32,630	38
1917	49,740	5,367	44,373	48
1918	96,877	24,487	72,390	40
1919	118,169	18,169	100,000	45
1920	138,736	9,286	129,450	40
1921	107,170	3,071	104,098	31

CHAPTER VI

THE OIL-WORLD'S NAPOLEON: HENRY DETERDING

If the *Royal Dutch* has succeeded in its amazing effort to reduce the power of the *Standard Oil*, it is because the former possessed a man who was worth millions, whom the Americans, in their outspoken admiration, have called the "Oil-World's Napoleon"—Henry Deterding.

"Mr. Deterding is Napoleonic in boldness, and Cromwellian in depth," said Admiral Lord Fisher, the reorganizer of the British Navy in the twentieth century. The strongest personality in the oil-world is no longer Rockefeller, but Deterding. Supported by such men as Gulbenkian, the "Talleyrand of Oil"; Colijn, formerly War Minister to the Netherlands; Loudon, Cohen, Stuart, and Sir Marcus Samuel, the founder of the *Shell* and a former Lord Mayor of London—Deterding dared to challenge the *Standard Oil* and to keep up the war for twenty years in every part of the world, and even to establish himself on the latter's own ground, the United States.

The *Royal Dutch* was established in 1890, when

the *Standard* ruled as absolute sovereign over the markets of Europe and America. De Gelder was the first Chairman, but he was soon replaced by the more capable Kessler.

"Old Kessler," as the *Royal Dutch* people call him among themselves, fixed his head-quarters at Batavia. Needing an assistant, he engaged the young Deterding, who was then employed in a bank at Batavia. It was Kessler who guided the *Royal Dutch* through the difficulties of its early years. But he died suddenly in 1900, and Deterding succeeded him.

While the *Standard* stuck to the formula, "American oil to light the world," Deterding set to work to acquire oil deposits as near as possible to all markets. The new policy extolled by Walter Teagle, Chairman of the *Standard Oil of New Jersey*, on the occasion of the fiftieth anniversary of the company in January 1920, is no other than that pursued by Deterding for fifteen years. For the *Standard Oil*, seeing to what a pass its former policy has brought it, has sought since 1919 to revise its methods and copy those of its rival.

Five factors have contributed to the world-wide expansion of the Royal Dutch.

1. Deterding's cleverness in associating the *Royal Dutch* with the *Shell*, and in interesting the Rothschilds of Paris in his operations. Thanks to these connections, he surrounded himself with able per-

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sonalities, such as Frederick Lane, Sir Marcus Samuel, Sir Waley Cohen, and Gulbenkian.

2. The support of the Dutch Government.

3. The support of the British Government.

4. The fact that the *Royal Dutch* had not a market close at hand to absorb its production, in the Dutch Indies, as the *Standard* had in the United States.

5. The readiness of the Dutch and British to prospect over-seas.

It is a combination of these forces—personal, political, and economic—which has resulted in the formation of the *Royal Dutch-Shell* group, now a world-power. Under the laws of the United States, a similar group would be impossible.

“Deterding is a plunger,” said an American oilman, who has often been a competitor of his in various parts of the world. “He plunges with other people’s money, not his own; that is why he takes such risks. For instance, he paid five times what any one else would have paid to gain a footing in Egypt, and he has lost a great deal there. However, he pays in shares for the properties he buys, and this gives him an advantage over the *Standard*, which has always paid in cash. In spite of everything, he merits great praise for having started from nothing and having built up the great organization which he directs.”

Deterding’s profession of faith, so to speak, is

summarized in a memorable declaration which he made to the Committee of Imperial Defence in March 1913:—

“Oil is the most extraordinary article in the commercial world, and the only thing which retards its sale is its production. There is no other article in the world of which you can guarantee the consumption as long as you can produce it. *In the case of oil, begin by guaranteeing the production and consumption will look after itself.* There is no need to bother about consumption, and as a seller, it is useless to make contracts in advance, because oil sells itself. All that you need is a well-filled purse, so that you are dependent upon no one, and can say to the people who will not buy to-day, ‘Very well. I am going to spend £1,000,000 in building reservoirs, and in future you will have to pay much more!’ *The great point for the Navy is to make certain of oil from a group which can draw its supplies from many different geographical points, because one cannot count on any particular oil-field. My experience is that districts which have regularly produced 18,000 barrels a day, have dropped to 3,000 without any previous warning.*”

Since its alliance with the *Shell*, the *Royal Dutch* has undergone a world-wide expansion. Deterding concluded long-term contracts with the famous British State-subsidized company, the *Anglo-Persian Oil*,

guaranteeing it the greater part of the Persian output until 1922. But his cleverest stroke was certainly to acquire an interest in the management of the *Mexican Eagle*. Owing to this, the output of the *Royal Dutch-Shell* group increased by more than 50 per cent., rising from thirty to more than fifty million barrels a year. The purchase of shares from Lord Cowdray cost Deterding a thousand million francs.

Deterding conducts his business like a soldier. He accepts or refuses a proposition once and for all. It is often dangerous not to fall in with his wishes. The *New Schibaïeff Petroleum Corporation* has had experience of this. Reconstituted in 1913, with a capital of £1,150,000, it set itself against the will of Deterding. He fought, and at the end of the struggle the £1 shares were worth 6½d., at which price the *Royal Dutch* bought them up, at the same time condescending to accept control of the company.

The establishment of close relations between the *Royal Dutch-Shell* and the British Government was one of the most noticeable activities of the oil-world. It has not been proved that the British Government really controls the *Royal Dutch*, although well-informed people believe it. If there has been any change in the direction of the *Royal Dutch*, which, according to the constitution of the company, should remain in Dutch hands, it must have been effected

as a result of agreements between the Dutch and British Governments, for the shares of the *Royal Dutch* were held by interests closely connected with the Royal Family of the Netherlands. An alliance of this nature would have great advantages. Besides, since the British Government has purchased the control of the *Anglo-Persian*, Sir Marcus Samuel has made great efforts to induce it to take an interest in the *Royal Dutch-Shell* group. The *Royal Dutch* has become more British than ever since 1922, when it ceded the greater part of its share in the *Shell* to the purely British consortium directed by the bank of *Cull and Company*. Deterding would find it difficult to do without the support of British foreign policy. He knew this very well when he transferred his offices from The Hague to London.

The most striking proof of the alliance between the British Government and the *Royal Dutch* is the course of events in India, where the oil situation is peculiar. In 1905, in exchange for certain exclusive rights and for a protective tariff granted by the State, the *Burmah Oil Company* consented to maintain a fixed price for kerosene. In India, in an open market, kerosene would cost £25,000,000 sterling instead of £11,000,000 annually. Such, at least, is the opinion of Sir John Cargill, Chairman of the *Burmah Oil*. Before the War, there was overproduction of kerosene in India; this surplus has since

been transformed into a veritable dearth. The *Royal Dutch* supplied the *Burmah Oil* with the petroleum that was needed to satisfy the Indian market. Thanks to Deterding, India will continue to get its oil cheaper than other countries. Without his help there would have been a considerable rise in price, and the *Burmah Oil*, in which the British Admiralty is interested, would have been weakened, and would have fallen into the hands of other companies.

The *Royal Dutch-Shell* has rendered the same service to the British Government in Egypt. "We have conducted our business on the same lines in Egypt," said Sir Marcus Samuel. "*In order to help the Government, we have operated in the Egyptian market in the same way as in India.*"

In exchange the *Royal Dutch* counts on the support of the British Government. This is the case in Venezuela, where the Venezuelan Government is trying to establish its rights over concessions which the company covets. And not in vain, for on March 7, 1921, it was announced in France that the Venezuelan Courts of Justice had upheld the validity of the fifty years' concessions which had been granted to the *Colon Development*, in which the *Royal Dutch* is interested, through the *Burlington Investment*.

But in Mesopotamia the company seeks the support of France against the *Anglo-Persian*, and is not opposed to American participation. I believe, rather,

that it desires the support of the French Government in case the British Government, hypnotized by the *Anglo-Persian*, deserts it. In any case, it hopes to play off one against the other.

Deterding's ambition is to crush the *Standard Oil*. He is the declared enemy of the *Standard*, Mr. W. Teagle, for whom he has some sympathy, excepted. When people tell him that he will never succeed in getting the better of the *Standard*, with its enormous capital, he replies that he has the means to fight against all the dollars that the *Standard* can gather. Has he not the Rothschild millions at his disposal? Besides, he has great advantages over the *Standard*. I have already mentioned the cost of production of the *Royal Dutch* in the Dutch Indies. It is considerably lower than that of the American Trust.¹ In a price war this would give it an incontestable superiority. The *Royal Dutch-Shell* possesses such reserves of oil that the question of exhaustion does not arise for it; and it extends over the whole world, whereas the *Standard* has been able to root itself firmly in America alone. Several European States have crossed swords with it, for example, Austria, which definitely closed Galicia against it in 1911. Its high-handed methods have made many enemies. The *Royal Dutch*, on the contrary, thanks to its clever

¹ Only for the American portion of its production are the costs of the *Royal Dutch* as high as those of the *Standard*.

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and elastic policy, has insinuated itself into the good graces of most governments. Almost everywhere, public opinion is on its side.

Besides, *Deterding knows more about the affairs of the Standard than the Standard itself*. This statement was made by a director of the American company. Deterding has no difficulty in following its movements. On one of his visits to New York, he installed himself in the Board-room of the *Standard*, in order to tell the directors that he was not satisfied with the way in which the Chinese agreement was respected, that they owed him a rebate on oil sold in his preserves, and that they must not sell any more there—or it would be war. He spoke for ten or fifteen minutes, and that was time enough to say a great deal. Without a note, he quoted many details, and even figures; for example, the exact number of gallons sold by the *Standard* in various places. And when one of his hearers inquired, after his departure, whether it was all accurate, another of Mr. Deterding's interrogators replied: "Last time he came, we took down all his statements in shorthand and verified them afterwards. We saw that he had an incredible knowledge of our affairs in every country in which our interests conflict with his own."

Will there soon be a renewed conflict between the *Royal Dutch* and the *Standard Oil*? Deterding wanted it quite recently. If we are to believe the

authorities on the matter, we have narrowly escaped the greatest oil war in history. For once, Deterding gave way to the moderate counsels of the more conservative members of his company, and war was not declared. Mr. Colijn was sent from The Hague to the office in Great St. Helen's, in the city of London, and it was announced that Mr. Deterding was taking a much-needed rest.

These personal struggles with the *Standard* are probably at an end.

Agreement is actively sought, at present, between the *Standard* and the *Anglo-Persian*, especially owing to the influence of Sir John Cadman. Since 1922, Elliot Alves and the *British Controlled Oilfields* have followed the same policy. Perhaps before long there will be an "oil peace," concluded between the directors of the great Trusts. Was it not even outlined at The Hague Conference? Time will show how long it will last.

My information, drawn from an authoritative source, tends to prove that a great re-grouping of oil interests will not long be delayed.

A true saying, but perhaps a strange one—"Oil will be poured on the troubled waters of Europe." For economics is more powerful than politics. We are at the dawn of the great "Age of Oil."

PART III
THE STRUGGLE BETWEEN
THE POWERS

CHAPTER VII

THE *EUROPEANISCHE PETROLEUM* *UNION*:

A GERMAN TRUST FOR THE CONTROL OF EUROPEAN OIL, WHICH FOUNDERED IN THE GREAT WORLD CONFLICT

The adoption of oil for general use coincided with the half-century of prosperity which preceded the great catastrophe, the great world War. Between 1865 and 1914, mazut, kerosene, petrol, vaseline and paraffin made their appearance, and spread throughout Europe.

And yet Europe consumed foreign oil almost exclusively. For a long time, this oil came entirely from the United States. It was the golden age of the *Standard Oil* in Europe. Its influence ruled over British distributing companies and French refiners, over the governments of Germany, Italy, Rumania and Spain.

But the appearance of oil from the Caucasus and Eastern Europe rapidly broke up the *Standard's* monopoly. The Rothschilds and the Nobels, the *Deutsche Bank* and the *Disconto Gesellschaft*; the

banks of Lille and Roubaix, exploiting the oil in Galicia; the cartel of French refiners founding the Polish company, *Limanowa* and the *Aquila Franco-Romana* in Rumania, and lastly, the *Royal Dutch* through the *Astra Romana* and the *Black Sea Company*—all multiplied their efforts between 1900 and 1914 to create various independent oil concerns on both sides of the Caucasus and the Carpathians.

Parallel with these private efforts of manufacturers and bankers, the governments of Europe were engaged in safeguarding the independence of their States in this complex question of oil. In 1903, the French Chamber voted for the principle of monopoly in oil. From 1908 onwards, the British Government, through the d'Arcy group, encouraged the formation of the *Anglo-Persian*. And, while appearing to fear the remarkable growth of the *Shell*, it surreptitiously assisted it, and tried to guarantee supplies from Mexico through Pearson, from India through the *Burmah Oil*, and from Mesopotamia through the *Turkish Petroleum* in agreement with Germany.

In 1911 the Reichstag was on the point of adopting the same course as the French Chamber. Under the influence of the Kaiser, important companies such as the *Deutsche Erdol Aktien Gesellschaft* and the *Deutsche Petroleum Verkaufs Gesellschaft* were formed to gain control of Austrian, Rumanian and

Caucasian oil. The powerful *Steaua Romana*, with a capital of 100 million francs, owed its existence to the latter, which had succeeded in acquiring a monopoly of the whole output of the Galician companies, *Schodnika*, *David Fanto*, and *Galizische Karpathen*, and had also obtained an interest in the *Danube Navigation Company*, *Bayerischer Lloyd*. In Rumania, the *Deutsche Erdol* controlled the *Konzern* group, which included the *Vega*, *Concordia*, and *Credit Petrolifer*. The oil of Pechelbronn in Alsace was also in its hands.

In 1906 the *Deutsche Bank* and the *Disconto Gesellschaft* took under their control the great company of *Nobel Brothers*, in Russia. They founded, at Bremen, the *Europeanische Petroleum Union*, a trust which amalgamated the principal European oil interests, and was to give Germany the certainty of European preponderance. They absorbed the *Akverdoff* company at Grosny, created the *Spies Petroleum*, and undertook the conquest of the oil industry in the Caucasus and in Apsheron. From 1911 to 1914, German capital and German interest predominated in the whole of Central and Eastern Europe, in Scandinavia, and even in Turkey, for the *Deutsche Bank* became an associate of Great Britain in the *Turkish Petroleum*, the sole concessionnaire of the Sultan for the oil of Mosul and Bagdad. This was the time when Sir Ernest Cassel, a little Frankfurt Jew, who

became one of the lords of British finance and whose grand-daughter and heiress married a cousin of the King of England in July 1922, was striving to avert the impending world War by bringing French, British and German interests into association wherever possible. An agreement was arrived at. The capital of the *Turkish Petroleum* was provided by the *Royal Dutch*, the *Anglo-Persian Oil*, and the *Deutsche Bank*.

But for the catastrophe of 1914, Germany would have ended by dominating European oil. Probably the United States and Great Britain would not to-day share between them the lordship over oil.

CHAPTER VIII

THE WAR AND OIL

The War which has just ravaged the world, proved that the country which controls oil will one day control the earth. It is just as Elliot Alves predicted: "Armies, navies, money, even entire populations, will count as nothing against the lack of oil." That the Allies have won this War is in great part due to the two greatest trusts, the *Standard Oil* and the *Royal Dutch-Shell*, which placed themselves at the service of the Entente. Germany, hemmed in on all sides, saw her last resources disappear when the Eastern front broke up.

Without petrol for lorries, tractors, motor-cars, aeroplanes—without heavy oil for ships' boilers and factory engines—without lubricating oil for all machinery, how was it possible to carry out the combined movements of armies? It was not until about 1916 that people began to say this War would be a "war of oil." The army staffs first grasped its real utility during the defence of Verdun, situated at the end of a wretched railway with a single line of metals. The destruction of many railway lines and

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the inadequacy of the system behind the front led the generals to transport their troops more and more frequently by motor-lorry. It might be said that this War was the victory of the lorry over the railway. The last phase, in particular, consisted in a campaign of motors and aeroplanes against railways. Rich in railway materials, our enemies were poor in petrol. Our High Command, at the end of 1918, resolved to profit by our superiority on this point.

Before the War, Germany imported 1,263,000 tons of oil:

719,000 from the United States;
220,000 from Galicia;
158,000 from Russia;
114,000 from Rumania;
52,000 from India.

From the very beginning of hostilities nearly all these sources were closed to her. That is why the German General Staff fought so hard for Galicia, then for Rumania, and finally for the Caucasus.

“As Austria could not supply us with sufficient oil,” wrote Ludendorff in his *Memoirs*, “and as all our efforts to increase production were unavailing, Rumanian oil was of decisive importance to us. But even with deliveries of Rumanian oil, the question of oil supplies still remained very serious, and caused us great difficulty, not only for the conduct

of the War, but for the life of the country. The stocks of the Caucasus opened a more favourable prospect for us in 1918."

"The eastward march of the central empires is thus explained as due to the urgent need for the conquest of oil. The treaty of Bukarest was an 'oil peace,' as also was that of Brest Litovsk.

"In Rumania, Germany seized all the oil-deposits, all the refineries, all the pipe-lines, and altered and reorganized them according to the immediate needs of her armies. For the benefit of her dependent company, the *Steaua Romana*, she plundered all the properties of the British, Dutch, French, or purely Rumanian companies.

"It was then that she destroyed the Baïkop-Constantza pipe-line and relaid the pipes on a military route from Ploesti to Giurgiu. It was then that the economic staff of her army founded in 1917-18 the *Erdol Industrie Anlagen Gesellschaft*, which sequestered, liquidated, despoiled all the other oil companies and collected the booty for its own profit in a vast monopoly of exploitation and distribution. This monopoly was only broken in August 1918, by the double victories of the Allies on the Eastern and Western fronts." ¹

When the Eastern front gave way, Germany's resources vanished. She had left only her benzol, a

¹ H. Bérenger: *La Politique du Pétrole*, 1920,

little heavy oil, and no lubricating oil. She had to give benzol to her airmen instead of petrol, although knowing perfectly well that their machines would thereby lose greatly in power. Her motor-lorries were not in use during calm periods; Ludendorff kept them for critical moments. And the scarcity of oil was so serious in the interior of Germany that the peasants passed the long winter evenings in darkness.

The Allies, also, lived through some tragic moments.

The year 1917 was the most terrible for them. Their armies almost ran short of petrol, their navies of heavy oils. Now, their armies consumed a million tons of petrol a year, their navies eight million tons of heavy oils. The stocks were reduced to such a point that, in May 1917 the Grand Fleet had to give up its training cruises and battle exercises, for the German submarines made a special point of attacking tankers coming from America or Asia. In France and Italy, the use of oil and even petrol was severely restricted.

In December 1917, when the cartel of the ten French refiners, which had undertaken to supply the French armies, recognized that it was powerless, and had to admit in an official letter that its stocks would be exhausted in March 1918, on the eve of the spring campaign, M. Clemenceau sent a despairing appeal to President Wilson. The representative of the

Commander-in-Chief had pointed out that France did not possess in its storage depots sufficient reserves to last more than *three days* in a situation like that of Verdun.

Here is the text of the historic telegram: "At the decisive moment of this War, when the year 1918 will see military operations of the first importance begun on the French front, the French army must not be exposed for a single moment to a scarcity of the petrol necessary for its motor-lorries, aeroplanes, and the transport of its artillery.

"A failure in the supply of petrol would cause the immediate paralysis of our armies, and *might compel us to a peace unfavourable to the Allies*. Now the minimum stock of petrol computed for the French armies by their Commander-in-Chief must be 44,000 tons and the monthly consumption is 30,000 tons. This indispensable stock has fallen to-day to 28,000 tons and threatens to fall almost to nothing if immediate and exceptional measures are not undertaken and carried out by the United States.

"These measures can and must be undertaken without a day's delay for the common safety of the Allies, the essential condition being that President Wilson shall obtain permanently from the American oil companies tank steamers with a supplementary tonnage of 100,000 tons. This is essential for the French army and population. These tank-steamers

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exist. They are sailing at this moment *in the Pacific instead of the Atlantic Ocean*. Some of them may be obtained from the fleet of new tankers under construction in the United States.

“President Clemenceau personally requests President Wilson to give the necessary Government authority *for the immediate dispatch to French ports of these steamers*.

“The safety of the Allied nations is in the balance. If the Allies do not wish to lose the War, then, at the moment of the great German offensive, they must not let France lack the petrol which is as necessary as blood in the battles of to-morrow.”

To “harness the *Standard Oil* to the victorious chariot of the Entente,” to use the expression of Mr. Page, nothing less was necessary than the official intervention of the United States Government. The *Standard* preferred to compete with the *Royal Dutch* in the Pacific.

Wilson put an end to this state of affairs and the Petroleum War Board immediately placed all the necessary boats at the disposal of France. Thanks to the reserves thus built up, Foch, at the time of the great German push in Picardy, was able to bring up heavy reinforcements by motor-lorries and fill the gaps where the British front had been broken. Marshal Foch was able to execute his strategic surprises only by relying on the 92,000 motor-lorries

and the 50,000 tons of petrol a month, which the Government placed at his disposal from March to November, 1918.

The Allied Governments had already decided to pool their resources, and had set up the Inter-Allied Petroleum Conference, a central body whose task was to supply them all.

It was constituted as follows:

1. Sir John Cadman, Kembal Cook, Ashdown and Graham, representing the British Petroleum Executive.

2. Captain Foley and L. J. Thomas, representing the American Petroleum War Board.

3. Professor Bordas, Controller-General of the French Technical Services, and head of the laboratories of the Ministry of Finance; Henry Bérenger, Lieutenant Georges Bénard, and the Marquis de Chasseloup-Laubat, representing the French General Petroleum Commission.

4. Captain Pozzo and Lieutenant Farina, representing the Italian Commission on Mineral Oils.

The Chairman was Sir John Cadman, a former professor in the University of Birmingham, who has played so important a part in British policy during the last few years.

The Inter-Allied Petroleum Conference had a gigantic task to face. During the last eighteen months of the War, it had to procure twelve or thirteen mil-

lion tons of oil. It succeeded because it was able to guarantee the co-operation of the *Royal Dutch* and the *Standard Oil* in the cause of the Entente. It ordered the two trusts to supply each country from the nearest producing country. This was a great sacrifice for them, as it obliged each trust to refrain from fighting in the territory of the other. It arranged for the transport of oil in the double bottoms of British ships; 1,280 ships were adapted in this way, being equivalent to a hundred new tank-steamers. And it hurried on the construction of tank-steamers in Great Britain and the United States; 600,000 tons were built in America and 400,000 in Great Britain. *During hostilities the Americans tripled their oil fleet.*

Its efforts were so successful that, on March 28, 1918, at the height of Ludendorff's offensive, the President of the French General Petroleum Commission was able to write to the Prime Minister:

"France has at her disposal for the battle 170,526 tons of petrol and 67,000 tons of other oils, instead of the 44,000 tons asked for."

"Thanks to the Inter-Allied Petroleum Conference," as M. Henry Bérenger remarked, "never, at any moment, have our soldiers lacked a drop of this spirit which gives them the necessary means of rapid movement and of cornering and defeating the enemy. If hostilities had lasted only a few more days, our

victorious troops would have taken, in the Ardennes, whole armies whose line of retreat was becoming so congested that they must have fallen into our hands without resistance. Hence the Germans hastily accepted the conditions which were imposed upon them, without either hesitation or discussion." (December 7, 1918.

This time, the military and political importance of oil was apparent to every eye. On the morrow of the Armistice (November 21, 1918), it was celebrated in enthusiastic speeches. And Lord Curzon was able to declare, at Lancaster House, "Truly posterity will say that the Allies floated to victory on a wave of oil."

CHAPTER IX

AN IMPERIALISM NOT WITHOUT GREATNESS

If the trusts were powerful before the War, they are much more so to-day, assisted as they have been by the fantastic rise of the dollar and the pound and the unheard-of prices at which they were able to sell oil during the great conflict. The *Europäische Petroleum Union* has fallen to pieces; therefore they have no longer to fear a third rival. *The Royal Dutch and the Standard Oil, by helping the Allies, have also served their own interests.*

We are living in the midst of a general disorganization of the world. Only two nations have found their position strengthened by the War: Great Britain and the United States. "Sentiment rapidly yielded to self-interest." Scarcely was the Armistice signed when the United States demanded the winding-up of the Inter-Allied Petroleum Conference. The *Standard* was eager to regain its liberty. In vain France drew attention to her unhappy position, both in Paris and in London, and asked for the continuance of the Inter-Allied Conference. Brit-

ain was not sorry to be able to dispute the oil supremacy of the United States and to reap the benefit of the preparations she had been slyly making for several years.

The British Empire rests on a foundation of coal. A new fuel, oil, appears which has such advantages over the former that it displaces it everywhere. Unfortunately, Great Britain possesses so little of it that Dr. David White, of the American Geological Survey, does not even mention it in his estimate of the oil deposits of the world. If we take the whole British Empire, it contains scarcely 4 per cent. of the known resources of the globe.

Great Britain, to maintain her world supremacy, resolved to win the control of oil as she had done that of coal. Besides, her coal will only last another century.

It was the silent task of a few men. Their proceedings were unknown, even to the people interested, and they did not fear to bring conflict into the world to win new greatness for their country. Meanwhile the United States basked in a false security, trusting in their production, which gave them 70 per cent. of the world's oil.

"Ten years ago France and Britain were in the same position as regards oil. Each had a few millions invested in distant enterprises; neither had control over an indispensable fuel. Suddenly it was

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discovered that a technical invention, the introduction of mazut into the furnaces of ships, was going to give the United States the power to make all other nations her tributaries. At once a few British business men, technical experts, and diplomatists joined forces. They decided to wrest from America the mastery of this new force. They laid their plans in silence and followed them for years with determination; they sank millions of money, carried on intrigue in every corner of the world; they *fomented revolutions* and accumulated on their own shoulders responsibilities, risks, expenses.

“Why? To gain money or honours? No! Sir Marcus Samuel and Lord Cowdray count their wealth in millions; Lord Curzon is at the height of his diplomatic career. . . . But in Britain, as in America, there is a tradition that a successful business man has obligations towards the society in which he has amassed his millions. He must make a personal contribution to its greatness. . . .

“It is to this tradition that Britain owes her great leaders; it is these leaders who have created her world-wide Empire, and who, under our astonished eyes, have just made possible for her so prodigious a development. . . . Their imperialism is a universal danger, but it does not lack a certain greatness.”¹

¹ Francis Delaisi, *Oil: Its Influence on Politics*.

CHAPTER X

THE STRUGGLE BETWEEN GREAT BRITAIN AND THE UNITED STATES IN MEXICO

There is no country in the world where the struggle for oil between Britain and the United States has been so acute as in Mexico. That this country has been for many years in a state of perpetual unrest is because of the fight for oil concessions.

The *Standard Oil* enjoyed practically a monopoly in Mexico up to the time when the deposits at Tampico were discovered. It was the only firm which sold oil there, so it did not scruple to abuse its position. It imported crude oil, refined it on the spot, and re-sold it at a profit of 600 per cent. Immediately the oil deposits were discovered, Porfirio Diaz, to put an end to this monopoly, granted important concessions to the British firm of Pearson, which shortly afterwards founded the *Mexican Eagle*. These concessions were the signal for the newspaper campaign which was let loose against Porfirio Diaz in the United States, and for the outbreak of the Maderist insurrection in Sonora and Chihuahua.

Rockefeller and Pearson made war on each other with the help of Mexican *condottieri*. The United States supported Madero, Great Britain Porfirio Diaz.

The *Standard Oil* subsidized the Maderists. Lane Wilson, formerly Ambassador of the United States to Mexico, actually stated in public, on January 7, 1913, that the movement on behalf of Madero had been paid for by the *Standard*, and that a document lying in the archives of the State Department at Washington proved it! Manuel Liyo, an official in a high position in the Mexican Ministry of the Interior, stated, before the Committee of the United States Senate, that the brothers Madero had concluded the following treaty with the *Standard*:—

- I. If Madero is made President, he will grant to the *Standard* all available concessions.
- II. He will withdraw all those granted to Pearson.

When Madero was made President, the market price of the *Standard* rose in Wall Street by 50 per cent. But this triumph did not last long. We are often astonished at the continual changes of front of the United States, which support the feeble Presidents in Mexico and oppose the energetic ones. By 1913 the *Daily Graphic* and the *Vossische Zeitung* had discovered the key to this mystery. Ever since Pearson obtained a footing in Mexico the *Standard* has poured out gold in floods to drive out the Brit-

ish. It wishes to be the sole mistress of those immense oil-fields, which have turned out to be among the richest in the world. Only 54 million acres are being exploited at present, and already Mexico holds the second place in world production. Now the Mexican Minister of Industry and Commerce estimates the area of the oil-fields of that country at 150 million acres. Where will Mexico stand when all this territory is exploited?

To arrest the progress of Pearson, the *Standard* sent an emissary to Mexico to demand a monopoly of oil exploitation. It offered, in return, the immediate conclusion of a loan of 200 million Mexican dollars. Rockefeller's envoy promised, moreover, that the revolution would die down as though by magic, while, in case of refusal, it would continue until General Huerta was replaced by a more tractable President who would submit to American requirements.

Like his predecessor, Porfirio Diaz, General Huerta refused to make Mexico the vassal of the great trust, and the insurrection redoubled in violence.¹

¹ "During the last nine years," wrote a New York editor on the occasion of the last revolution, "there has not been a single disturbance in Mexico in which Americans have not taken part by lending their aid to the party opposed to the government. . . . Americans have supported Madero against Diaz, Huerta against Madero, Carranza against Huerta, Villa and Sapeta against Carranza."

Tired of the continual struggles which ravaged their country for the benefit of the two great Anglo-Saxon nations, the Mexicans resolved to profit by the European War to win their freedom for ever. According to the laws of the country (1884, 1892, 1910) the owner of the surface was also the owner of the subsoil. All that a company had to do was to buy the ground and it was at peace with God and man. The Constitution of 1917 disturbed this peace. "The subsoil," it declared, "belongs to the nation." To exploit petroleum deposits a Government permit was required. This permit is only to be granted to Mexicans or to foreigners who consent to submit to the laws of the country as natives, and thus renounce their privileges as foreigners.

As soon as they received word of these new arrangements the British and American newspapers thundered against the unhappy President Carranza, whose fall from power was not long delayed. Taught by his example, his successor attempted a policy of conciliation, but in vain. The present President, General Obregon, is faced with the same difficulties, but holds firm. The Mexican Government hopes to free itself for ever, by means of the Constitution of 1917, from the diplomatic interference which has poisoned its existence. But the Obregon Government, though moderate, is not strong. It is supported by the mid-

dle-classes, but has the army and the people against it. Now, for some time, unfortunate tendencies have been shown by the Mexican people. It has just indulged in a Communist Congress, with the object of "grouping all the forces of the proletariat."

If President Wilson always maintained a policy of non-intervention towards Mexico—a policy, moreover, which was severely criticized within the United States—his successor at the White House meant to make himself felt there as well as in other parts of the world. President Harding had among his ministers Mr. Fall ¹ of New Mexico, who has always interested himself in this question, and who at one time made energetic protests. He demanded that American citizens should not be expelled from Mexico on the simple order of the President of the Republic, and that a Commission should assess, at the earliest moment, the damages suffered by Americans during the Revolution—requirements contrary to the Constitution.

Thus I was not particularly surprised to hear that the Committee of the United States Senate had undertaken to recognize the new Mexican Government only on the condition that the article of the Constitution of 1917 which forbids foreigners to hold min-

¹ Secretary of State for the Interior, an ardent partisan of intervention. Mr. Fall is a believer in the slogan "*Standard Oil must prevail.*"

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eral rights *was not applied to United States citizens.*

The *Mexican Eagle*, however, is undisturbed. Pearson was clever enough, at its formation, to place it under Mexican law. His borings have continued uninterruptedly, while American companies were obliged to suspend operations and wait for Government authority.

PEARSON AND THE MEXICAN EAGLE

The struggle between Pearson and the *Standard Oil* became at one time so acute that the United States Government acquiesced in the payment by American oil companies operating in Mexico of royalties to bandits and insurgents as though to the established Government.¹ The general insecurity was such that certain American companies paid 1,500 dollars *a month* to a bandit in the Tampico district on the understanding that he would guarantee not to cut their pipe-lines.

Such a state of affairs could not go on for ever. After many years of conflict the two companies came to a sort of understanding by which they shared the exploitation of oil deposits, and when faced by the hostility of General Carranza's Government they sent a common delegation to the Peace Conference to de-

¹ Evidence of Edward Doheny before Committee on Foreign Affairs of the United States Senate.

fend their interests against expropriation by the Mexican Government.

In order to centralize its interests, each of the two groups founded, after a time, a company for the exploitation of the concessions granted to it. It was in this way that the *Mexican Eagle* was created in 1908, to take up a part of the Pearson¹ interests. Its capital, which was originally 30 million Mexican dollars, was increased to 50 millions in 1911, on the acquisition of the Pearson oil properties in the Tehuantepec region. In 1920 it was 86,277,000 Mexican dollars.

"An institution is the elongated shadow of a man," said Emerson. This definition applies very well to the *Eagle*, in the success of which the personality of Pearson has been the dominating factor. From the earliest days the difficulties it had to struggle against were considerable. They would have discouraged a man of weaker character and less tenacity. His entire production was destroyed in the disaster at the Dos Bocal well—an enormous gusher which took fire. A fierce price-war was going on at the moment, conducted by Americans with great persistence for many months. Then came the time of unrest and fighting, and of the civil war to drive the British from Mexico.

¹ Since elevated to the peerage under the title of Lord Cowdray.

However, the *Eagle* remains, triumphant, possessing an immense domain of a million hectares in the richest regions, extending along the borders of the Gulf, in the State of Vera Cruz and the isthmus of Tehuantepec.

Although it holds in reserve the greater part of this domain, its output exceeds 100,000 barrels a day. One of its wells alone produces in six days as much as the Pechelbronn deposits in Alsace yield to France in a year (60,000 tons), and, according to the estimates of British experts, its oil-field at Naranjos is alone capable of producing before its exhaustion a sum of money equal to the whole of the British national debt.

Pearson's war against the *Standard Oil* was worth while.

1919

THE ROYAL DUTCH-SHELL LAYS HANDS UPON THE MEXICAN EAGLE

Towards 1919 the weak spot about the *Mexican Eagle* was its isolation among organisms so powerful as the two dominating groups of the world, the *Standard Oil* and the *Royal Dutch-Shell*. Isolated producers sometimes lack markets, especially if by their geographical position they are far from great centres of consumption. This was the case with the *Mexican Eagle*, which, though it remained independent, was

nevertheless obliged to submit to the very burdensome competition of the *Standard* in the sale of its products.

Lord Cowdray held so large a number of shares in the *Mexican Eagle* that to obtain them was practically to obtain control of the concern. In 1911 the *Standard* wished to buy them from him; he refused. In 1913 the *Royal Dutch* suffered the same rebuff. It had only offered him £2 15s. a share when he wanted £3. These shares, which were issued at par—10 Mexican gold dollars, that is, 25.90 francs, or scarcely more than £1—have risen at a phenomenal rate. Their *lowest* prices were:—

1912.....	36 francs
1918.....	83 francs
1919.....	126 francs
1920.....	398 francs

And they rose to 712 francs in 1919 and 738 francs in 1920! Since then they have depreciated considerably, as have all oil securities. Skilful manœuvres on a large scale provoked a panic among holders of Mexican shares, which made it possible to buy them at a low price, and led to important operations on the Stock Exchanges, beginning in December 1921 in New York.

In June 1919 Deterding offered Lord Cowdray £6 a share; he accepted. The *Shell Transport* took one

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million, the *Royal Dutch* a million and a half.

If Pearson consented to get rid of the controlling interest which he had in the vast undertaking founded by his genius and perseverance, it was by reason of the enormous sums which had to be found before the immense resources contained in the oil-bearing properties of the *Mexican Eagle* could be turned to account. It can only handle 111,000 barrels a day, whereas, since the discovery of the oil-fields of Zacamixtle and Naranjos, its production could be increased, if it were desired, to 700,000 barrels a day, that is, about 110 million litres or 110,000 tons a day. In order that non-specialists may understand the importance of such a yield, we may say that one gallon contains 4.546 litres, one barrel (36 gallons) contains 163.655 litres, and that *six* barrels represent one ton. The *Eagle's* first well, which gave, to begin with, 100,000 barrels a day, thus yielded a daily production of 16,000,000 litres or 16,000 tons of oil. And it continued to yield large quantities—diminishing progressively, be it understood—until November 1919, when it was invaded by salt water.

The Shell intends to spend several millions within the next five years in order to triple the output of the Eagle. Very shortly the development of its installations will allow of its refining 140,000 barrels daily, and it is clear that, some time hence, the enormous figure of 200,000 barrels daily will be reached, that

is, 5 million barrels a month against the present 2½ million. The *Shell's* engineers will not push its exploitation to the maximum possible, for they wish to make the *Eagle* last *half a century*.

In acquiring control of the *Compania Mexicana de Petroleo El Aguila* (the true name of the *Eagle*) the *Shell* had in view simply to ensure a sufficiency of

FINANCIAL RESULTS OF THE MEXICAN EAGLE FOR
ELEVEN YEARS

Year.	Gross Profits.	Net Profits.	Sinking Fund and Reserves.	Dividend.
	\$	\$	\$	Per cent.
1911	1,974,000	874,000	194,000	8
1912	5,703,000	4,265,000	2,920,000	8
1913	10,488,000	8,166,000	3,551,000	8
1914	13,005,000	9,689,000	5,857,000	8
1915	14,676,000	11,215,000	6,562,000	8
1916	18,082,000	17,064,000	8,259,000	16
1917	20,521,000	12,948,000	6,922,000	20
1918	28,857,000	15,860,000	19,830,000	25
1919	36,868,000	29,508,000	11,050,000	45
1920	59,453,000	54,659,000	8,952,000	60
1921	81,982,000	69,083,000	34,879,000	30

liquid fuel for the British Navy. For the *Mexican Eagle* will soon hold one of the first positions among the world's producers. Before long it will furnish, by itself alone, one-third of the Mexican production. The capital of the *Shell* was increased in 1919 simply with the object of hastening the development of the oil-fields it controls. In view of the considerable increase in Britain's need of petroleum we may believe

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that patriotism was Lord Cowdray's motive also. However it may be, the negotiations were concluded in June 1919, and it was a master-stroke on the part of the *Royal Dutch-Shell* group, for its position was greatly strengthened by this association, which increased its production of oil by 50 per cent. Moreover, the *Royal Dutch-Shell* made a very successful deal, since the shares bought at £6 each are now worth double on account of the increase of capital at par in January 1920 and the new increase in January 1921 under the same conditions, that is, one new for two old shares at par. Since the *Mexican Eagle* came under the control of the great Anglo-Dutch trust it has benefited by the incomparable selling power of the *Shell*: the great shipping companies, the Pirrie and the Furness-Withy groups, and the Argentine railways immediately concluded with it important contracts for the supply of oil. And this alliance brings the *Eagle* practically unlimited financial resources.

The balance-sheets of the *Mexican Eagle* are expressed in Mexican gold dollars. The Mexican dollar, which, on the gold basis, is worth about half a dollar, was equivalent, at the rate of exchange of January 1, 1921, to:—

8.50 francs.

2s. 9d.

0.495 dollar.

PRESENT POSITION OF THE PETROLEUM INDUSTRY IN MEXICO

Almost the whole of the Mexican petroleum industry is in the hands of the two great Anglo-Saxon nations.

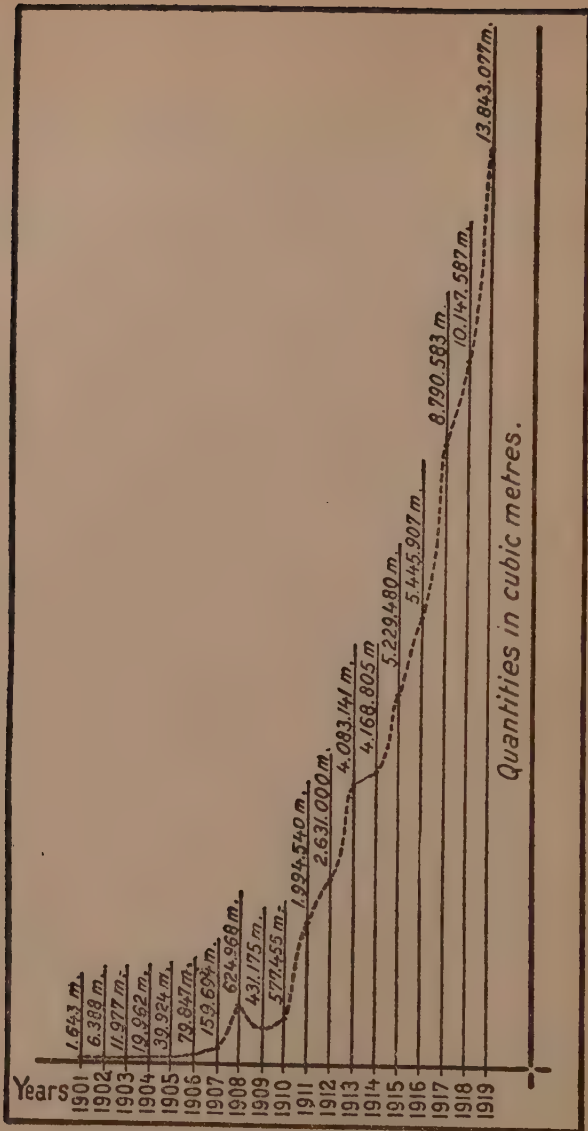
Seventy per cent. of the capital invested there is American in origin, 27 per cent. Anglo-Dutch. Now Great Britain, in spite of the smallness of the capital she has sunk, triumphs more and more. Only 3 per cent. of the capital invested in this Mexican industry is Mexican.¹

Production continues to grow at a prodigious rate.² It has risen from 87 million barrels in 1919 to 195 million in 1921. Edward Doheny declares that it will continue to increase for thirty years. Considerable oil-fields are still unexploited along the coast of the Pacific, and the Mexican Government officially announced the discovery of oil in the islands of the Gulf of California in September 1921. The *Mexican Petroleum* has just bored a well, the Cerro Azul,

¹ According to official statistics of July 2, 1920, the Mexican petroleum industry represents a value of 300 million Mexican dollars.

	Million dollars.
Wells bored and in production.....	100
Value of ground on which they are situated.....	50
Pipe-lines, railways and rolling-stock.....	50
Refineries, buildings and machinery.....	50
Various properties, chiefly British.....	50

² Cp. chap. ii, *Oil: Its Origin, Discovery, and History*.



Increase of oil production in Mexico from 1900 to 1920.

producing 100,000 barrels a day. Two miles from this well there is another which yields 260,000 barrels a day. All these deposits are found at an almost uniform depth of 600 metres. It is estimated that Mexico can still produce 4,500 million barrels of oil.

There were 367 wells in production in Mexico on January 1, 1921, of which 61 belong to the *Eagle* and 34 to the *American Petroleum*. Other companies, with five exceptions, rarely hold more than a dozen wells.

The *Eagle* stands to-day at the head of all producing companies. Here are the four companies which produce the most:—

<i>Mexican Eagle</i>	32 million barrels
<i>Standard Oil of New Jersey</i>	19 million barrels
<i>Texas Company</i>	12½ million barrels
<i>Mexican Petroleum</i>	12½ million barrels

Great Britain has played a very clever game. As Phelan, the American Senator, wrote: “Her companies accommodate themselves to the political views of the Mexican Government.” Moreover, they have all, from the *Mexican Eagle* down to subsidiary companies of the *Royal Dutch* like the *Corona*, been placed under Mexican law, which shields them from the effect of the Constitution of 1917. American companies, on the other hand, whether constituted under the

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laws of New Jersey, Texas or Delaware, remain
foreign companies.

Since March 1922 they have been working out a plan for amalgamation, so as to form a powerful American group which could resist the demands of the Mexican Government.

The companies joining the group would be the *Standard Oil*, the *Sinclair*, the *Texas Company of Mexico*, the *Atlantic Refining* and the *Mexican Petroleum*. The Supreme Court of Mexico has decided ¹ that properties acquired before the Constitution of 1917 was promulgated would not be confiscated—a declaration which has reassured the United States.

Mexico retains only 4 per cent. of her production. In 1920 alone she exported 153 million barrels out of the 159 million produced, keeping for home consumption only 6 million barrels. Seventy-eight per cent. of her production went to the United States. Every year Great Britain takes from Mexico more than 40 million gallons of illuminating oil, benzine and fuel oil. Mexico literally saves the world. Without her there would be a universal shortage of petroleum.²

¹ July 1920.

² Each Mexican well produced as much, in 1920, as 537 American wells.

CHAPTER XI

A STATE-SUBSIDIZED COMPANY: THE *ANGLO-PERSIAN*

Although the United States, in spite of the civil wars they let loose there, could never drive Pearson out of Mexico, they triumphed over him in Central America and the chief States of South America by the mere force of their prestige. During 1912 and 1913 Pearson obtained concessions in Costa Rica, Colombia, Venezuela, and Ecuador. That would have given him a monopoly of the supply of oil to all shipping passing through the Panama Canal. Washington placed its veto on these concessions and caused them to be annulled in the name of the Monroe Doctrine. No South American republic dared to resist.

Meanwhile the *Shell* installed itself in Trinidad, a British colony, then in Venezuela and Colombia. To quiet all fears it was wise enough to associate itself with American firms: for example, the *Colon Development* was founded, a British company constituted in common with the American *Carib Syndicate*. It has since come out that all the British shares are

grouped in the hands of the *Burlington Investment*, which is itself dependent on the *Royal Dutch-Shell*. Not having succeeded directly, through Pearson, who was too much distrusted by America, Britain has none the less succeeded indirectly, through Deterding, in controlling the entrance to the Panama Canal.

It is a strange fact that, while the United States were watching the activities of the Pearson group with evident hostility, they displayed not the least mistrust of the *Royal Dutch-Shell*. By a bold and masterly policy, the latter obtained a footing in the very heart of the territory of the *Standard Oil*. American law, unlike French, does not distinguish between ownership of land and ownership of the minerals. As in Mexico before 1917, both belong to the owner of the surface. The *Royal Dutch-Shell* bought land, sank wells, and was thus able to exploit oil as it pleased. Cleverly following the example of the *Royal Dutch*, the *Shell* endeavoured to place its shares with the American people, so as to give them an interest in its prosperity. It was not difficult, considering its high dividends. In 1919 the *Shell* placed 750,000 shares upon the New York market; by so doing, it realized a premium of £4,390,623, of which £4,000,000 were appropriated to reserve and to amortization. The source of its capital did it no harm, for, before the War, all American large-scale industries had had to make calls upon

European savings. And if the *Shell* was British, the *Royal Dutch* was without a considerable German element, although officially a Dutch company. Deterding had not yet openly joined forces with Great Britain. He was hesitating. Foreseeing the imminent outbreak of the world conflict, he was much too clever to bind himself before he knew who would win.

These two companies, connected since 1907, but each keeping its separate financial organization (at the same time reserving for each other a 40 per cent. share in any new subsidiary company), were thus freely allowed to install their reservoirs and pipelines beside those of the *Standard*. Besides, the Democrats, fearful of the political and commercial power of the American trusts, were not sorry to set against them competitors who could have no influence upon the domestic politics of the United States. They came to be looked upon as international undertakings without any political ends. To complete the illusion the British Government, which assisted them in secret, simulated fear of their excessive growth.

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The British Admiralty declared that it was important to free the Royal Navy from the tutelage of the trusts. It was voted the money required to obtain an interest in the operations of the *Burmah Oil*, thus ensuring for itself a share of the oil of Burmah; and

in May 1914 it bought half the shares of the *Anglo-Persian Oil*, which holds a thirty-years' monopoly for the exploitation of oil deposits in Persia, excepting only the five northern provinces. For Persian territory on the borders of the Caspian Sea was always reserved for Russian influence.

The *Anglo-Persian* began obscurely. Its inception, in 1909, passed unnoticed. It was founded, *without an appeal to the public to subscribe its capital*, by the *Burmah Oil*, a company at that time better known in Scotland than on the London Stock Exchange. Its first object was to take over the concessions which the Australian, d'Arcy, had obtained in 1901, and which covered the enormous area of 500,000 square miles. D'Arcy had obtained these concessions from the Persian Government for the infinitesimal sum of 200,000 francs, of which 100,000 francs only were paid in cash and the rest in shares. The Persian Government was to receive 16 per cent. of whatever profit d'Arcy might make. It was much disappointed, for the first investigations along the Turko-Persian frontier were really discouraging. D'Arcy spent five million francs in vain, and he was thinking of abandoning the whole affair when he heard of oozings and gushings in the Shustar region, 140 miles north of Mohammerah, to the north of the Persian Gulf. D'Arcy recognized the presence of oil, but had to face the construction of a pipe-line and refinery, and

to find new capital for these purposes. Certain foreign capitalists made him tempting offers, but D'Arcy, who had found a staunch supporter in Admiral Fisher, the reorganizer of the British Navy in the twentieth century, resolved that the Persian concessions *should remain under British control*. He obtained the financial assistance of the *Burmah Oil*, and the latter founded the *Anglo-Persian* in 1909. The Royal Navy had already 150 ships burning oil. Pretymann, a Lord of the Admiralty, got Lord Strathcona appointed to the chairmanship of the *Anglo-Persian*, the first results of which were encouraging, so that the British Government could direct its future. The capital of the new company was very quickly used up. It constructed a pipe-line 145 miles long to bring its oil to the Persian Gulf, and a refinery on the island of Abadan which cost a great deal. But as the prospecting then taking place revealed the existence in Persia of rich deposits, a commission of geological experts, presided over by a rear-admiral, was sent to the spot by Winston Churchill, then First Lord of the Admiralty, to make an inquiry. On the conclusions embodied in its report, the British Government decided to take control of the business. In the month of May 1914 the *Anglo-Persian* made a somewhat stormy entrance into history, for up to then very little had been heard of it: the negotiations and then the contract with the Admiralty had been

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conducted with the greatest secrecy. Parliament showed great surprise when Winston Churchill placed the matter before it, and asked for its sanction to the agreements which had been made. It was even necessary for Sir Edward Grey to come to the rescue in order to win a majority in the House.

The Government had a certain majority of two thousand votes by the purchase of £2,200,000 of new ordinary shares. This amount has since been more than doubled, for on March 6, 1921 the Government announced in the House of Commons that it held £5,200,000 ordinary shares, £1,000 preference shares, and £199,000 debentures. Two-thirds of the ordinary shares of the *Anglo-Persian* are to-day in the hands of the British Government, the other third is held by the *Burmah Oil*, which is directed by the Admiralty. Thus absolute Government control is assured.

The *Anglo-Persian* has become literally a State-directed company, but British officials are wise enough to entrust to technical experts the actual management of the undertaking. This explains its great success. Two trustees, Lord Inchcape and Sir E. H. Packe, represent the Government on the Board of Directors: they have the right of absolute veto upon all decisions.

Finally, the Government has made a contract with the *Anglo-Persian* for the supply of important quanti-

ties of oil at an advantageous price for a certain number of years. The needs of the Navy are thus guaranteed for a period of years. There is no surprise to be feared, for the oil-fields are near the Persian Gulf, where Great Britain reigns as mistress, and where no foreign ship can enter without her permission. It is, moreover, an important strategic point; ships can be dispatched from there to all parts of the world where Great Britain has interests—Suez, Gibraltar, India, Australia, Africa.

The oil-deposits of Persia are so rich that it will soon be necessary to increase tenfold the projected development of the equipment, pipe-lines, and refineries, to deal with future production. Even in our time the natives collect the oil by rudimentary processes and transport it on the backs of camels to the markets of the interior, where it serves as an object of exchange. Persia is one of the few countries in which numerous spontaneous springs and seepages reveal the existence of oil. In certain valleys it flows along the slopes and pours into the rivers, making the water unfit for consumption. The *Anglo-Persian* already ranks among the chief oil-producing companies of the world. It is precisely this success, we may believe, which has caused so much apprehension in the United States on the subject of the rivalry between British and American producing companies. The *Anglo-Persian* controls an almost unlimited pro-

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duction in Persia, and as soon as there are enough pipe-lines and reservoirs, the output will increase in enormous proportions. *From 1923 onward, the Anglo-Persian, by itself, will be in a position to supply a large proportion of the needs of Great Britain.* It will then be free of the contract which, for more than seven years, has bound it to the *Royal Dutch-Shell*, obliging it to dispose of a considerable portion of its production through the latter company.

When its program is completed, the *Anglo-Persian* will possess a fleet, the capacity of which will exceed a million tons. Expenses are small, because of the great productivity of the wells, which gives to Persia a marked superiority over all the other oil-fields of the world, except perhaps Mexico. Its yield of benzine and kerosene is much superior to that of most of the oil-fields of the United States; it is richer than that of Mexico.

But for several years, the *Anglo-Persian* has no longer been content with Persia, rich as it is. Its ambitions now extend to the whole world. It is in process of installing its depots in all the great ports of the world. In French territory alone, reservoirs will be constructed in the ports of Dunkirk, Le Havre, Rouen, Saint-Nazaire, La Pallice, Bordeaux, Marseilles, Bizerta, Algiers, Oran, Casablanca, Dakar. Through the agency of its subsidiary, the *d'Arcy Exploration*, it is prospecting for oil in every part of

the globe. Wherever geological conditions appear to indicate the presence of oil in commercial quantities, the operations of drilling are undertaken. The activities of the *d'Arcy Exploration* are carried on at present in Great Britain, Australia, New Zealand, Canada, Hungary; and again, quite recently, the company has concluded arrangements for investigating and prospecting in districts of France and her colonies which are likely to produce oil. A French company, the *Société Générale des Huiles de Pétrole*, has been founded, with an initial capital of 100 million francs, jointly subscribed by French and British groups, with the object of undertaking the refining and distribution of oil in France as well as her colonies. According to the agreement signed in London on October 27, 1920, by Sir Basil Zaharoff for the *Banque de la Seine*, nine subsidiary companies will be founded, each having a different function: importation, refining, distribution, and transport of oil.¹ And this "Franco-British Anglo-Persian" is even going to build an oil fleet, thanks to the *Société Navale de l'Ouest*.

Other enterprises are also under consideration.

¹ The *Anglo-Persian* will subscribe 45 per cent., France 55 per cent. of the capital of each of these companies. The Agreement of October 27, 1920, was the occasion of very sharp attacks from certain short-sighted members of the House of Commons, who did not understand that the British Government was about to lay hands, in concert with the *Royal Dutch*, upon the oil wealth of France, and reproached the Government with dispersing its efforts.

The *Anglo-Persian Oil* has acquired important interests in the *British Oil Bunkering*, and it has also founded the *Tankers Insurance Company Limited*, an insurance company with a capital of £100,000, for it intends, henceforward, *to do its own insurance*. By means of the *Scottish American Oil*, of which it has technical and commercial control, it has even succeeded in penetrating into Mexico, thus completing the work begun by Pearson and continued by the *Shell*.

Its activities, during the month of December 1920 alone, were remarkable. It obtained a footing in Spain, founding a company with a capital of 25 million pesetas, of which 55 per cent. was subscribed by the *Anglo-Persian* and 45 per cent. by a Spanish group having at its head the *Banco Urquijo* and the *Spanish Credit Bank*. It concluded a contract *with the Hungarian Government guaranteeing it exclusive rights of exploitation on Magyar territory*, in case oil should be discovered there, which has happened. Deposits have been found near Letenye and the quantities which it is hoped to obtain will no doubt be more than sufficient to supply the needs of Hungary.

The Hungarian Minister of Finance submitted to the National Assembly, in December 1920, a report concerning the cession of rights to prospect for oil to a syndicate controlled by the *d'Arcy Exploration*. The Government at Budapest, not having the neces-

sary capital for exploration, was favourably disposed to the offers of the subsidiary of the *Anglo-Persian*. The negotiations were conducted by Dr. Telesky, a former Minister of Finance, and Dr. von Bockh, Secretary of State. According to the agreement reached, the *d'Arcy Exploration* undertook to devote at least £100,000 to prospecting for oil; if the results were satisfactory, the company would exploit one-third of the geological productive units, one-third would be kept in reserve, and the remaining third would revert, free of all expense, to the State. As regards the second portion, the Hungarian Government reserved complete freedom of action. A company was formed with a capital of £1,000,000 sterling, of which the Hungarian Government subscribed ten per cent.; the company had to deposit with the Government 25 per cent. of the shares, and to undertake to hand over to it each year one-tenth of the production, in kind or in money.

The *Anglo-Persian* has also obtained possession of the oil-bearing territory of Transylvania, ceded to Rumania. During the War, this was seized and exploited by the Austrian military authorities, for it belonged to the *Hungarian National Petroleum Company*. The capital of this company was heavily drawn upon for repairs undertaken at the close of hostilities. An appeal for funds became necessary. The *Anglo-Persian* demanded that the technical and

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commercial management of the undertaking should be entrusted to it and that two of its nominees should sit on the Board of Directors; it then subscribed £500,000 in preference shares. Each of these shares carried twenty votes against one for an ordinary share: thus the *Anglo-Persian* has complete control.

In addition to this, it has taken over the share which was reserved for Britain in the German interest in the *Steaua Romana*, and disposes of nearly 80 per cent. of the shares in the *Turkish Petroleum*, which has claims to oil concessions in Mesopotamia.

On October 13, 1921, the *Anglo-Persian* made an agreement with the Japanese company *Tei-Koku*, undertaking to supply it with 350,000 barrels of petroleum yearly. Half of this is destined for the Japanese Navy.

Organizations for the sale of its products are to be found in Belgium, Denmark and Norway.

Part of the famous deposits of Rivadavia, which the Argentine Government intended to reserve for itself, has fallen under its control.

In co-operation with the Australian Government—from which it had already obtained, in May 1920, exclusive rights in the former German colonies of Papua—the *Anglo-Persian* founded the *Commonwealth Oil Refineries*, with a capital of £500,000. It is prospecting actively in Western Australia, and

has asked the Government of Perth for a concession of 100,000 acres.

In New Zealand it has offered to subscribe 50 per cent. towards the formation of a capital of £100,000 for prospecting purposes.

And the *Anglo-Persian* is, at the present moment, building vast works in New Brunswick, for the distillation of oil from shale. The oil produced will be used for heating the boilers of British ships. The oil-bearing lands in this region are rich and extensive, and the shale of which it is composed has been found twice as rich in oil as the Scottish shale, the first from which the precious "rock-oil" was distilled.¹ As in Wyoming, Colorado and Utah, there are enormous laminate rocks, stretching in beds below the valleys, of a thickness of eight to ten metres; when distilled they may produce up to 240 litres of oil to the ton. When the Mormons, fleeing from persecution in 1846, took refuge in the Far West and discovered these oil shales, they never suspected the service they would render half a century later to the British and American Navies.² They found

¹ The Scottish factories treat three million tons of shale annually, from which the average yield is only 122.5 litres of oil to the ton, half the yield of the Canadian and American rocks. Apart from this bituminous shale, it seems unlikely that Great Britain, which controls 90 per cent. of the future production of the globe, would have succeeded in finding oil-deposits in her own soil.

² Anticipating the time when the oil-fields of the United States will be exhausted, the American Government has taken possession

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themselves held up in their march across the desert for want of fuel, but one of their leaders announced that Providence would soon supply their needs. The prophecy came true that very day: a Mormon was surprised to notice that the stones on which he placed his saucepan took fire. Since then, hunters and prospectors venturing into these desolate regions use no other fuel than these rocks.

of millions of hectares of land containing bituminous rock, in order to ensure the fuelling of its Navy.

CHAPTER XII

AN AMERICAN BALKANISM

THE BRITISH CONTROLLED OILFIELDS

The *Anglo-Persian Oil* is no longer sufficient for Great Britain, which founded a new company in 1918, the *British Controlled Oilfields*, specially commissioned to fight the *Standard Oil*. Established under Canadian law with an initial capital of £12,000,000, increased later to £40,000,000, and capable of a further increase up to £159,000,000, the *British Controlled Oilfields* will be one of the greatest financial powers of the world. Like the *Anglo-Persian*, it is entirely in the hands of the British Government under the system of the voting trust. It seems that an immense tract of oil-bearing territory exists from Mexico to the Argentine, a continuation of that of the United States. Already Mexico has become the second greatest producing State in the world; and oil has been found in almost all the South American States, even in Brazil and on the plateaux of Bolivia. Of these immense deposits the *British Controlled Oilfields* wishes to gain

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possession on behalf of the British Government, thus completing the work of the *Royal Dutch-Shell* in Venezuela and in the neighbourhood of the Panama Canal. It possesses properties of very great value from Mexico to Brazil, in Trinidad, Venezuela and Costa Rica. In 1920 it began operations in Ecuador, and it is at present prospecting in Brazil, in the State of Bahia, where bituminous seepages and traces of asphalt abound. Its concessions actually surround two-thirds of the Caribbean Sea: they are situated in the States of Guatemala, Honduras, Nicaragua, Costa Rica, Panama, British Guiana, Colombia, Venezuela, Peru, Ecuador, and the island of Trinidad. The concessions of the *British Controlled Oilfields* are nearly always on the sea coast—or rather in close proximity to the sea—which is a considerable advantage. It has expressly chosen them, on both the Atlantic and the Pacific, as a precaution *in case war should break out between Britain and the United States*; for, even with the help of the Japanese fleet, the British Navy might not be able to seize the Panama Canal. And its units must be in a position to replenish their stores of fuel without being obliged to make a long detour round the Magellan Straits.

The *British Controlled Oilfields* is at present negotiating for the control of important concessions in Panama and Nicaragua. It controls all those of

British Guiana, nearly all those of Honduras, but I fear it is about to lose those it had in Costa Rica. In order to obtain them, Great Britain did not hesitate to foment revolution in this little Republic. Unable to obtain anything from the established Government, it helped to place in power the revolutionary President Tinoco, from whom it got all it wanted: more than 6,000 square miles granted to the *British Controlled Oilfields*. Unfortunately Tinoco has been overthrown: the regular Government, restored to power, hastened to annul these concessions. Great Britain, to compel it to ratify these concessions, stirred up a war between Costa Rica and Panama, while she sent the cruiser *Cambrian* to the coast of Costa Rica in order to increase the pressure. Events went against her. Costa Rican troops invaded Panama. A landing took place on February 28, 1921, on the Pacific coast, south of the Dulce Gulf, the eastern shore of which is common to both countries, and another less important one on the Atlantic, towards Bocas del Toro. Panama lost the territory of Coto.

Mr. Alves, Chairman of the *British Controlled Oilfields*, set out in March 1921 for Costa Rica, to study the question at issue. But the United States stepped in; and Judge White, as arbitrator, pronounced in favour of Costa Rica. On August 26, 1921, an American naval detachment assisted the Costa Rican

forces to take definite possession of the contested territory, in spite of the indignant protests of the Government of Panama against the violent measures of which it was the victim.

There is continual warfare among the little republics of Central America. The imbroglio of British and American affairs around the Gulf of Mexico and the Caribbean Sea (*British Controlled Oilfields, Mexican Eagle, Royal Dutch, Shell, Mexican Petroleum, Standard Oil*) makes this region the *Balkans of the oil world*.

The *British Controlled Oilfields*, the board of which includes a British admiral and a Member of Parliament, is the result of long investigations pursued by Lord Fisher on behalf of the Admiralty. The results of these studies are being methodically turned to account in order to ensure to Great Britain the supremacy of the sea by means of the supremacy of oil.

CHAPTER XIII

POLITICAL TENDENCIES OF
THE *ROYAL DUTCH*

THE BRITISH OIL EMPIRE

Until 1914, the British Government seemed to resist the formidable extension of the *Royal Dutch* throughout the world. Under the pretext of ensuring reserves for itself, it got possession of outlets which this company had not yet touched, taking control of the *Anglo-Persian* and in 1918 founding the *British Controlled Oilfields*. The reason was that they were not yet allied. But since the War an event of considerable importance has taken place: Deterding has thrown in the fortunes of his trust with those of the greatest empire in the world, the British Empire, whose policy at present dominates the world.

At the beginning of its history, the *Royal Dutch* was a Dutch company. If the *Royal Dutch* became British by its union with the *Shell*, it was German through its Rumanian share in the *Deutsche Petroleum*, which united the petroleum interests of the

Deutsche Bank, *Steaua*, *European Petroleum*, and the *Deutsche Mineratal Industrie*. The first important capital of this powerful consortium was furnished by German banks: the *Deutsche Bank*, the *Disconto Gesellschaft*, and the firm of *Bleichröder* are, as it were, the fundamental tripod supporting the edifice. It has been justly said that if Germany had not the most important place in the *Royal Dutch*, it is because Mr. Deterding was more concerned with British interests. He uses the power of nations as he uses money. Great Britain being mistress of the seas, he has given to British capital the most important part in his undertakings. But the Rothschild family is international. There are branches in London, Paris, Berlin, and Vienna. Mr. Deterding had safe places to anchor while waiting for the wind. During the retreat of the Rumanian army, the wells controlled by the *Royal Dutch* were partly destroyed. Whether this destruction was the work of Rumanian or of German soldiers is not important. The *Deutsche Bank* was associated with Mr. Deterding in Rumania. Whatever was the result of the War, the *Royal Dutch-Shell* had to be compensated. . . .

It would have been just the same as far as Bagdad. If Germany had gained Asia Minor, the property of the *Royal Dutch* would still have been saved by the *Deutsche Bank*. As the Allies have the upper hand, Mr. Deterding has nothing to fear. He is in

close touch with France and Britain. He is in opposition only to America. And this coalition of the oil powers is a very curious one, in which enemy nations agree at certain times and disagree at others, all of them being led by a superior power to unsuspected ends, just as they were in the world race for armaments. An important fact which may puzzle the simple-minded, is that, during the War, Mr. Deterding made his flag respected.

His cleverness was such that, *whichever side was victorious*, he was bound to come out unscathed from the conflict.

Since Great Britain has conquered Germany, he has thrown in his fortunes with hers.

It was a master-stroke for British policy. Allied to this powerful trust, Great Britain now possesses an oil empire extending throughout the world:—

EUROPE

Russia	<i>Royal Dutch-Shell</i>
Rumania	<i>Royal Dutch-Shell</i>
Hungary	<i>Anglo-Persian</i>
Jugo-Slavia	<i>Royal Dutch-Shell</i>
Albania	<i>Anglo-Persian</i>

AMERICA

Newfoundland	<i>Anglo-Persian</i>
New Brunswick	<i>Anglo-Persian</i>
California	<i>Royal Dutch-Shell</i>
Oklahoma	<i>Royal Dutch-Shell</i>

AMERICA (Continued)

Texas, Louisiana	<i>Royal Dutch-Shell</i>
Mexico	<i>Royal Dutch-Shell (Mexican Eagle)</i>
Central America	<i>British Controlled Oilfields</i>
Trinidad	<i>Royal Dutch-Shell</i>
Venezuela	<i>Royal Dutch-Shell</i>
Guiana	<i>British Controlled Oilfields</i>
Brazil	<i>British Controlled Oilfields</i>
Colombia	<i>British Controlled Oilfields</i>
Ecuador	<i>British Controlled Oilfields</i>
Argentine	<i>Anglo-Persian</i>

ASIA

Caucasus	<i>Royal Dutch-Shell</i>
Persia	<i>Anglo-Persian</i>
Mesopotamia	<i>Turkish Petroleum</i>
India	<i>Burmah Oil</i>
Dutch Indies	<i>Royal Dutch-Shell</i>
Straits Settlements	<i>Royal Dutch-Shell</i>
China	<i>Royal Dutch-Shell</i>

OCEANIA

Australia	<i>Anglo-Persian</i>
New Zealand	<i>Anglo-Persian</i>
Papua	<i>Anglo-Persian</i>

AFRICA

Egypt	<i>Royal Dutch-Shell</i>
Madagascar	<i>Royal Dutch-Shell</i>
South Africa	<i>Royal Dutch-Shell</i>
Morocco	<i>Anglo-Persian</i>

CHAPTER XIV

HOW THE UNITED STATES LOST SUPREMACY OVER OIL

The Americans themselves realize that they are about to lose their supremacy over oil. "While we were basking in a false security, lulled by the knowledge of our resources," the *American Nation* wrote recently, "foreign companies silently and energetically took possession of the unexploited oil-fields." The *Mexican Eagle*, a British company, received vast concessions in Mexico. The *Shell*, another British group, established itself in many places. The *Royal Dutch*, which, in appearance at least, was originally a Dutch company, was founded to exploit the oil of the East Indies. Later, a fusion of the *Royal Dutch* and the *Shell* took place, and the *Mexican Eagle* sheltered under the wings of the new company. The *Anglo-Persian* was created to exploit Persia and the East, and the British Government subscribed £2,000,000, reserving the control for itself in order to supply the needs of the navy.¹

¹ This amount has since been more than doubled.

This company was for years closely connected with the *Royal Dutch*.¹ This gigantic aggregation of British interests, at the present time, owns or controls a great part of the oil of California, Oklahoma, Louisiana, Mexico, Trinidad, Venezuela, Colombia, Rumania, Russia, Persia, Egypt, India, and the East Indies. Except in North America, many of the concessions are so vast that they exclude American companies from the most profitable oil-fields. However, adds the *Nation*, the experts of the United States Geological Survey were making disturbing discoveries that 40 per cent. of American oil was exhausted, and that, at the present rate of production, the exploitation would be complete in fifteen or twenty years, for home requirements were becoming so great that more oil would have to be imported than was being exported. In 1920, the imports exceeded the exports by 100 million barrels. And *British companies, closely connected with the British Government, are now in exclusive possession of 90 to 97 per cent. of the future world production.* What a change in the situation!

Ten years ago, Britain possessed no oil, to-day she is independent, to-morrow she will be mistress. The feat has been accomplished by the silent efforts of a few men such as Sir Marcus Samuel, chairman of the *Shell*, Lord Cowdray (Pearson), Lord Curzon,

¹ By the contract already mentioned which expired in 1922.

formerly Viceroy of India, Sir John Cadman, technical adviser to the British Government, Professor in the University of Birmingham, and Chairman of the Inter-Allied Petroleum Conference during the War, Lord Strathcona, creator of the Canadian railways, who played a great part in the *Anglo-Persian*, and, above all, Admiral Lord Fisher.

These men acted even without the knowledge of the British people and its parliamentary representatives. Their fellow-countrymen and their opponents only heard of their activities when they had endowed their country with a world-wide oil empire.

There was veritable amazement in the House of Commons when it was informed of what Lord Fisher and Lord Strathcona had done with the *Anglo-Persian*. Their work narrowly escaped undoing. Lord Fisher himself described, in September 1919, the opposition he met with, even among his colleagues. "I was dubbed 'an oil maniac' when I was at the Admiralty in 1885. Lord Ripon, the First Lord, sent for me and told me I was called a Radical enthusiast and nicknamed 'Gambetta,' and said he meant to make me a member of the Board of Admiralty. I told him all the rest of the Board would leave. He saw me a week after and confessed it was so; but, thank God! I was spared to be Director of Naval Ordnance instead."

Lord Fisher experienced the same difficulties when he wished to equip the British Navy with submarines. It is to him, and to the Bethlehem Steel Works (United States), that the Allies owed the prompt completion of the special type of submarines which "went, unconvoyed from America to the Dardanelles and acted there prodigiously." A few of these submarines which succeeded in passing through the wire nets of Chanak-Nagara, for a long time controlled the Sea of Marmora and prevented the Turks from taking supplies by sea to their fortifications on the Straits. Oil supremacy and naval supremacy go hand-in-hand. When he wished to give his country empire over oil, Lord Fisher's principal object was to preserve her dominion over the seas. For that fleet will be victorious which has at its disposal the most abundant sources of oil. Ships using oil have driven out those burning coal, just as the latter replaced sailing ships.

When we compare the results obtained by France and by Britain, on whose soil it seems that no deposits of mineral oil have yet been discovered (a fact which rendered Lord Fisher's task none the easier); and when we see Britain mistress of nearly all the oil remaining in the world, we stand confounded with admiration before the genius of those to whom she owes such an empire.

BRITISH OIL POLICY

Having been obliged to allow the first place to America, the country which first discovered oil, and which until recently produced 70 per cent. of the world's output, Great Britain began to gain upon her by keeping command of oil-carrying ships. Whoever transports a commodity controls it, and is master of it up to a certain point, for he is the indispensable intermediary for those who wish to obtain it. Should any difficulty arise, the transporter, according as he fulfils his office or not, grants or withholds supplies for the markets, as he pleases. The British genius has always sought to compensate, by maritime superiority, for the inferiority of Great Britain in certain respects. If the United States occupied the first place among producers of oil, they ranked second to Great Britain as transporters. Great Britain, understanding that oil "is destined to play the same part in the world as coal, cotton or steel," made a special point of retaining control of oil-carrying ships. It was a thrilling duel.

The world tonnage of tank-steamers rose by June 30, 1919, to 2,616,000, tons, of which 1,500,000 tons sailed under the British flag, 1,000,000 tons under the American. In June, 1920, the United States had gained the first position. They had 308 tank-

steamers, amounting to 1,734,843 tons, or 51 per cent. of the whole (3,386,091 tons). On January 1, 1921, the supremacy of Great Britain was restored. Of the 524 oil-steamers afloat, 252 belonged to her, the United States having only 191. But she lost this position again six months later.

Mistress of one of the foremost oil-carrying fleets, Britain next sought, until 1922, to monopolize almost all the remaining resources of the world. The *Royal Dutch-Shell*, *British Controlled Oilfields*, and *Anglo-Persian Oil* were valuable auxiliaries of the Foreign Office for this object. According to Dr. David White, one of the members of the American Geological Survey, this is what Great Britain possesses to-day:—

Canada: the whole of the deposits are reserved for	Million barrels.
British control	995
Algeria, Egypt: 50 per cent.	462.5
Persia, Mesopotamia: 75 per cent.	4,365
S. E. Russia, S. W. Siberia, Caucasus: 50 per cent.	2,925
Rumania, Galicia, Europe: 50 per cent.	1,567.5
New Russia and Sakhaline: 50 per cent.	462.5
Dutch Indies: 50 per cent.	753.75
India: the whole	995

In Peru alone have the United States triumphed over Great Britain. The discovery of oil there is due to the English. But, thanks to the power of its capital, the *Standard Oil*, through the medium of the

International Petroleum Company, managed to acquire the shares of the four most important British companies. And the United States at present controls 70 per cent. of the output there, the British retaining only 27 per cent. and Italy 3 per cent. The Peruvian production, however, is not very high; it does not yet reach 3 million barrels.

The need for oil has grown so great that the deposits containing this precious liquid fuel are greedily coveted by the various governments which take shelter behind financial groups. *There is a shortage of 250 million tons of coal on this planet, and it produces only 98 million tons of oil.* But no Government can boast, in this matter, of having shown a foresight equal to that of Great Britain.

The British Government is no longer content today to encourage, favour and defend its own nationals. Better than this, it makes conquests or establishes protectorates having as essential object the reservation exclusively for its nationals of new oil-bearing territories, such as Persia and Mesopotamia. The treaty recently imposed on Persia was nothing but a disguised protectorate. Fortunately for Britain, the Soviet Government has voluntarily given up its advance into that country since it concluded a trade agreement with London. And it is sufficient to read the Treaty of Sèvres to see the underlying motives of the British negotiators: the desire to mo-

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nopolize the oil of Asia, and anxiety to keep out the United States, all the oil-fields left to France being in particular granted to her with the idea of a future British participation.

The British Government is so jealous of its position in Mesopotamia that it will not even tolerate American prospectors there, and certain incidents have happened in connection with which the disappointed Yankees have asked the State Department at Washington to demand satisfaction.

The British oil policy is not uniform. Sometimes, when it seems possible, she gets possession of proved oil-fields. Sometimes, in the case of a country which would hold its own, she negotiates for an advantageous share in the profits—this is what happened with France by the San Remo Agreement—or she makes contracts ensuring abundant supplies of the precious mineral oil.

When a State does not fall in with her views sufficiently quickly, Britain does not recoil from any means of pressure. This is what led Admiral Degouty, in April 1920, to write: "As a corollary to well-known negotiations with one of the richest countries in oil in the Near East, the British Admiralty has organized and is maintaining on the Danube a numerous flotilla of gunboats and river monitors." The reason is easy to guess.

From 1918 to 1920 an unofficial squadron of

small Russian steamers, requisitioned and armed by Great Britain, dominated the Caspian Sea, so that Batum, the port of embarkation for oil on the Black Sea, and Baku, its place of production, were both in the hands of the British. They disposed of the petroleum and mazut there at their own pleasure, permitting no control over their purchases. Britain first took as much as she could; it was only afterwards that she allowed France to replenish her stores in turn, provided there was any petroleum left.¹

Thus ends the work of Lord Fisher, who applied himself for more than thirty years to the problems of oil. Thus end the experiments and observations conducted modestly and quietly for so long at Portsmouth.

Henceforward the British Navy is sure of its supplies of oil for a century. But the position is such that the United States can avoid war only at the price of industrial servitude.

HEMMING-IN OF THE UNITED STATES

While Great Britain was pouncing upon nearly all the oil remaining in the world, the United States basked in a false security. Had they not supplied 80 per cent. of the needs of the Allies during the War? It is true that if the War had continued the United States would not have been able to satisfy

¹ *Revue Universelle*, October 15, 1920.

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those needs. "In September and October 1918," declared Mr. Deen, who played such an important part in the alliance of the *Royal Dutch* with the *Shell* and who now directs the oil industry of Oklahoma, "the Allies were taking each day 194,000 barrels of petrol, while the average daily output was 191,000. Adding together the consignments sent to Europe by Mexico and the United States, we reach the figure of 1,200,000 barrels a day, while the United States was producing only 960,000 and Mexico 140,000. The daily deficit was thus 300,000 barrels."

The United States sacrificed themselves in the cause of the Allies during the War.¹ Great Britain has shown no gratitude. They had already reached the point at which they could not supply their home consumption, since 25 per cent. of the petroleum consumed in the States used to come from Mexico, and they sent the Allies more than their own production. The War contributed not a little to placing them in their present position.

According to Walter Teagle, the new chairman of the *Standard Oil*, if their consumption continues to increase at the present rate they will consume, in a few years, 630 million barrels, or double what they produced in 1919. Since 1914 alone the number of motor-cars in the United States has increased from

¹ They did not sacrifice themselves for nothing!

1,700,000 to 8,000,000 (Ford cars swarm there). These alone absorb 85 per cent. of the national output, leaving only 15 per cent. for the railways, shipping, manufactures and export.

The American companies have made a great effort. They have speeded up production, raising it from 376 million barrels in 1919 to 443 million in 1920. New exploratory work has been carried on, especially in Texas and Kansas. But will not this hasten yet more the time when the resources of the United States will be exhausted?

At the word of command from the United States Government, "Draw more and more on the oil in foreign countries," the *Standard* sent out prospectors all over the world. But everywhere they ran up against an unforeseen obstacle. An American prospector had the misfortune to appear on the shores of the Dead Sea in October 1919. Without hesitation the British General who was Governor of Palestine had him arrested in Jerusalem. To the indignant protests of President Wilson Britain simply replied that it was not a question of measures aimed specially against the Americans, but that all prospecting in Palestine was forbidden until a new order. The same thing happened in Mesopotamia.

Everywhere in the world, except possibly Canada, in which country they have considerable influence on

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account of their geographical proximity, the Americans for two years found the "closed door."¹ Generally they were either completely excluded from oil-bearing concessions situated in the territory, the colonies, or even the sphere of influence of Great Britain, Japan and the Netherlands; or else they were authorized to establish themselves only under such conditions that they would lose the effective control of their undertakings. Foreigners are forbidden to prospect for oil in Burma, India, Persia, Uganda and the United Kingdom. A policy which *excludes foreigners from the control* of petroleum products is followed in Algeria, Australia, Barbados, Kenya Colony, British Guiana, France, French West Africa, Guatemala, Japan, Formosa, Saghalien, Madagascar, Mexico, New Guinea, and probably in the Union of South Africa. Venezuela and Uganda are considering a similar policy.

The *right to exploit mineral wealth* cannot be granted to foreigners in Australia, Barbados, Kenya Colony, New Guinea, the Dutch Indies, France, French West Africa, Guatemala, India (probably), Great Britain, Japan (practically), Trinidad (in part), Venezuela, Madagascar, and, except for rights already acquired, in Rumania and Slovakia. Temporary restrictions have been placed on the acquisi-

¹ Report of the American Director of the Bureau of Mines, Van H. Manning, to the Secretary of State for the Interior.

tion of oil concessions by foreigners in two districts of Colombia and in the new Rumanian territory.

The ownership of oil deposits belongs to the Government in Bolivia, Costa Rica, Slovakia, South Africa, Uganda, Venezuela, Great Britain, and partly so in the Argentine, Australia, British Guiana, Ecuador, India, Trinidad, Canada and Colombia. The Dominican Republic, Mexico, Rumania and Russia are considering the possibility of following the same course. But the United States have pledged themselves not to recognize the new Mexican Government unless it renounces this measure. In France the Government has regalian rights over the riches of the subsoil; it grants them at its discretion.

In face of this situation, Senator Gore of Oklahoma, on March 10, 1920, demanded of the Federal Government a report upon the measures taken by foreign Governments to exclude Americans from oil fields. Two months later, on May 17th, President Wilson transmitted to the Senate the report of the Secretary of State.

"The policy of the British Empire," wrote the Acting Secretary of State, Frank L. Polk, "is reported to be to bring about the exclusion of foreigners from the control of the petroleum supplies of the Empire, and to endeavour to secure some measure of control over oil properties in other countries. This policy appears to be developing along the following lines,

which are directly or indirectly restrictive on citizens of the United States:—

“1. By debarring foreigners and foreign nationals from owning or operating oil-producing properties in the British Isles, colonies and protectorates.

“2. By direct participation in ownership and control of petroleum properties.

“3. By arrangements to prevent British oil companies from selling their properties to foreign-owned or controlled companies.

“4. By Orders in Council that prohibit the transfer of shares in British oil companies to other than British subjects or nationals.”

These measures have led to the control of the *Shell*, by agreement with the *Royal Dutch*, which holds 60 per cent. of its shares. “It is understood that the British Government has a controlling interest in the *Anglo-Persian Oil Company*, and that it has also assisted in the development of the Papuan oil-fields by bearing one-half of the expense and contributing experts. . . .” All prospecting for oil in the United Kingdom must be authorized by the Board of Trade. In fact, the only borings carried out in the country are by *S. Pearson and Son, Ltd.*, acting as petroleum development managers to the Government. In Trinidad no one may acquire oil-bearing land without the authorization in writing of the Governor, subject to the approval of the Secretary of

State for the colonies. Now the latter requires of every British company that not more than 25 per cent. of its capital is to be held by aliens and that the majority of the directors shall be British.

The Polk Report goes on to prove that almost all other countries, even the smallest, close the door to Americans. Only Bolivia, Colombia and Costa Rica, which has recently annulled the concessions granted to the *British Controlled Oilfields* place Americans and their own nationals on the same footing. The case is different in Guatemala, in Ecuador, and, above all, in Mexico, "only Mexicans by birth or naturalization and Mexican companies have the right to acquire ownership in lands, waters and their appurtenances, or to obtain concessions to develop mines, waters, or mineral fuels in the Republic of Mexico. The nation may grant the same rights to foreigners provided they agree before the Department of Foreign Affairs to be considered Mexicans in respect of such property and accordingly not to invoke the protection of their Governments in respect to the same, under penalty, in case of breach, of forfeiture to the nation of property so acquired. Within a zone of 100 kilometres (62.14 miles) from the frontiers and of 50 kilometres (31.07 miles) from the sea-coast, no foreigner shall under any conditions acquire direct ownership of lands and waters."

Meantime the San Remo Agreement had been

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signed, by which the French Government—voluntarily or no—associated itself with Great Britain in order to drive out America from the Asiatic centres of petroleum production, and delivered over to her the resources which might be discovered in the zones of influence reserved for France. The French Government was so embarrassed about this agreement that for three months it dared not publish it.

When it made up its mind to do so, the publication aroused grave anxiety in the United States.

THE STRUGGLE FOR MESOPOTAMIA

However, public opinion and American official circles followed the progress of the struggle with passionate interest. The situation became even more strained in consequence of an article in *Sperling's Journal* by Sir Edward Mackay Edgar, which constituted a literal defiance. Great Britain openly boasted of her triumph. "I should say," wrote Sir Edward, "that two-thirds of the oil-fields exploited in Central and South America are in British hands. In the states of Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, and Ecuador, the great majority of the concessions are in the hands of British subjects and will be developed by our capital.

"The Alves group (*British Controlled Oilfields*) whose properties extend two-thirds round the Carib-

bean Sea is entirely British; and the regulations controlling it ensure the absolute perpetuity of direction in the interests of Great Britain. No citizen, no American group, has attained, or will ever attain, in Central America a position . . . like that of Mr. Alves. If we consider the greatest of all petroleum organizations, the *Shell* group, it possesses or controls undertakings in every oil-producing country of the world, including the United States, Russia, Mexico, the Dutch Indies, Rumania, Egypt, Venezuela, Trinidad, India, Ceylon, the Malay States, China, Siam, the Straits Settlements and the Philippines.

"No doubt we shall have to wait some years before the benefits of this position can be reaped; but there is no doubt that the harvest will be magnificent. Before long America will be obliged to buy from British companies, at the rate of millions of pounds every year and to pay in dollars, in increasing quantities the oil she cannot do without, and which she can no longer obtain from her own reserves.

"I estimate that if their consumption continues to increase at the present rate, in *ten years the Americans will be obliged to import 500 million barrels*, which, at the very low price of two dollars a barrel, means an annual paying out of a thousand million dollars, of which the greater part will fall into British pockets. With the exception of Mexico and a small part of Central America, *the whole world is*

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solidly barricaded against an attack in force by the United States. The British position is impregnable."

One year after the peace the struggle between Great Britain and America reached its bitterest phase. The United States wished to obtain, at any price, part of the oil deposits of Mesopotamia and of the new oil-bearing territory which had just been discovered at Djambi in the Sunda Islands. Consequently, on November 20, 1920, Mr. Colby, Secretary of State, addressed a Note to Lord Curzon, which the American Press published on the 24th, in which he protested against the exclusion of Americans from Mesopotamia and claimed equality of treatment for all nations.

The British Government made, at the time, only a vague reply to the Colby Note. The English Press published the complete text.¹ Lord Curzon then declared that the existing British rights in Mesopotamia were only the confirmation of those acquired before the War by the *Turkish Petroleum Company*, the control of which the British Government holds in common with the *Royal Dutch*, for it has bought 200,000 ordinary shares in this company. But for the War the exploitation of the oil deposits of Mosul and Baghdad would long since have begun. The rights acquired by the French Government under the San

¹ *Times*, April 6, 1921.

Remo Agreement represent only the German share, and they were granted in return for facilities given for the dispatch to the Mediterranean of the petroleum produced. Neither the rights of the *Turkish Petroleum Company*, nor the San Remo Agreement will preclude the Arab State of Iraq from enjoying the full benefit of ownership or from prescribing the conditions upon which the oil-fields shall be developed. The British Government has no desire whatever to deny the United States a share in the expansion of the petroleum industry of Mesopotamia. And the British Note draws attention to the fact that London by no means agrees with Washington on the estimate of the petroleum resources of the various nations. While the potentialities of the future are necessarily problematical, the undisputed fact remains that at present United States soil produces 70 per cent. of the oil production of the world.¹ It is not easy, therefore, to justify the United States Government's insistence that American control should now be extended to resources which may be developed in mandated territories. The British Government, nevertheless, is in general agreement with the contention of the United States Government that the world's oil resources should be thrown open for development without reference to nationality.

¹ In reality, at the date of this Note, the United States were only producing 64 per cent., and a great part of this output is in British hands (*Royal Dutch-Shell*).

This somewhat hypocritical reply did not satisfy the Federal Government. Great Britain might be in agreement with its contention that "oil resources should be thrown open for development without reference to nationality," but that did not make her open up Mesopotamia to Americans. And on the occasion of a meeting of the Council of the League of Nations at Paris, to examine in detail the problem of mandates, Washington, to annoy London, sent a Note on February 1, 1921, demanding that the question of mandates over former German colonies should be reconsidered. In the end America won her point, for during the negotiations which were conducted in London at the end of July 1922, Walter Teagle asked that the shares in the *Turkish Petroleum* granted to the *Anglo-Persian* (50 per cent.), to the *Royal Dutch* (25 per cent.), and to France (25 per cent.) should be reduced in order to make room for American interests. Deterding protested, but finally accepted. The British Government gave way immediately. It is a doubtful victory for the United States, for who knows when this region will be pacified? And France will do her utmost to avoid the diminution of her share. The Angora Government showed itself at Lausanne determined to resume possession of the Mosul region, which is so rich in oil and which M. Clemenceau gave up to Britain with so little resistance.

THE STRUGGLE FOR DJAMBI

Meanwhile the *Royal Dutch*, which, in agreement with the *Anglo-Persian*, had asked the British Government to reserve for it the exploitation of Mesopotamian deposits, was endeavouring to monopolize the new deposits discovered at Djambi in the Sunda Islands.

Djambi is the last great territory to be exploited in the Dutch Indies; the oil-fields in this district cover four million acres. At first the designs of the *Royal Dutch* met with no opposition, and it obtained from the Dutch Lower Chamber the grant of these deposits for its subsidiary, the *Bataafsche Petroleum*. But two representatives of the *Standard* brought a communication to the Dutch Chamber and Ministers at The Hague. The *Standard* offered to found a company in partnership with the Dutch Government, which would hold half the territories of Djambi on the same terms as the *Royal Dutch*. It recalled the fact that in the United States the Dutch had been given every facility, and counted on reciprocal treatment.

This unexpected communication caused great disturbance in the financial and political world of the Netherlands. A deputy asked if the note from the *Standard* came from the American Government. The Prime Minister replied that he did not know,

but that in any case this note must express the views of Washington. A Socialist member proposed exploitation of the whole field by the State; this was defeated by 55 votes to 24. The Liberals, fearing international complications, were opposed to the Government plan. Finally, the Second Chamber adopted this plan by 49 votes to 30.

Thereupon a vigorous Note arrived at The Hague from Mr. Hughes, the Secretary of State, who nearly defeated Wilson on the occasion of his re-election to the Presidency and who holds to-day the most important post in Mr. Coolidge's Cabinet. Mr. Hughes ordered the United States Ambassador to insist vigorously that the Dutch Government should grant the same facilities in the Dutch Indies to American as to other companies. For, he said, the nationals of all countries have an equal right to vital natural resources, and one cannot forbid access to one particular nation. "We do not seek preference over other countries, but we do not wish other countries to obtain advantages to our detriment. And concerning oil, the solution of the problem is to give equal rights to all the companies of all nations."

The Government of the Netherlands sent to Washington its reply to the American Note. It drew special attention to the disinterestedness shown by the Americans at the time when competition was free, a time chosen by the *Royal Dutch* to make a much

more advantageous offer than those of its rivals. In 1915 the exploitation of the deposits in the Sumatra regions was granted to the State; but in 1918 this ruling was modified, and it was decided that exploitation might take place directly by the State, or through the agency of a company, or under the system of a State-controlled monopoly.

At this time no American protest had reached the Dutch Government, and none was sent until after the signing of the contract between the *Royal Dutch* and the Government.

However, added the Note, there still remain numerous valuable oil-fields in the East Indies, and the Dutch Government would be prepared to grant concessions to American capital.

This affair seems to have been by no means settled by the vote of the Dutch Lower Chamber. The polemic continued between Washington and The Hague. In May 1921 the American Government demanded the publication of its Note of April 19th, which The Hague was determined to keep secret. And in Holland the Colonial Secretary was violently reproached for having concealed from the Chamber the details of the correspondence exchanged with the United States. I have been able to procure the text of the letter submitted by the *Standard*:

“The development of petroleum deposits is at present a vital question for every country, and increas-

ing attention must be devoted to it by the whole world. The Dutch colonies have the good fortune to possess extremely rich petroleum deposits, especially in the Djambi region. The *Standard Oil*, an American limited liability petroleum company, asks to be allowed to share in the development of the deposits at Djambi, and a decision must shortly be taken on the matter. Considering the great extent of the oil-fields of Djambi, the Dutch Government will certainly not consider it to the interest of the country and people to allow them to be exploited by a single company.

"The *Standard Oil* submits for the approval of the Dutch Government a scheme for founding a Dutch company under the mining legislation of the Dutch Indies, according to which part of the Djambi region would be exploited on the basis of the native law. This project would have to be submitted to the Second Chamber of the States-General. The *Standard Oil* declares itself ready to furnish all necessary guarantees for the exploitation of the said territory.

"The *Standard Oil* is convinced that the Dutch Government will readily admit that the United States, which are and always have been the greatest producers of petroleum, could bring as much profit to Dutch interests as they have done for their own citizens.¹ We American companies, therefore, believe

¹ The question, however, has not been settled as they desired.

that we have a right to share in the development of the petroleum fields of Djambi, and we are sure that this participation would serve the interests of Holland equally with those of the United States, and would help to strengthen the bonds of friendship which exist between the two countries."

This did not have a soothing effect on public opinion in Great Britain. Since the War, wrote *The Times*, the question of petroleum had become an international question of the first order. Great Britain took an especial interest in it; its security depended, more than that of other countries, on power over sea and air. Up to Trafalgar, when the essential thing was to have ships of stout oak, she watched carefully over her forests. . . . She could not do the same with oil, for she possessed so little in the Empire.

The United States desire equality of treatment. Britain denies the justice of this claim. "United States soil," wrote Lord Curzon, "produces 70 per cent., and American interests in adjoining territory control a further 12 per cent. of the oil production of the world." Great Britain, he pointed out, had only 40 per cent., and that in distant territories.

The United States replied that eighteen years from now all their oil would be exhausted, and they would not even be able to satisfy their home consumption. The orders for 1920 exceeded the output. "Not

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so!" replied the British. The excessive demand caused the price of oil to rise, and the demand then diminished in reaction. You have even been obliged to lower the price. The price of Pennsylvanian crude oil fell from 6.10 to 3.00 dollars a barrel between December 1920 and April 1921. And as Mexico is developed the swing of the pendulum will continue in the same direction. But you need not fear the exhaustion of American petroleum. Read the reports of your experts. Mr. David White, of the United States Geological Survey, has given his opinion that the American fields will have passed maximum production in a few years' time. Mr. Lane, formerly Secretary of the Interior, has gone even further, and has estimated the percentages of exhaustion of the main oil-fields as follows:—

Lima, Indiana	93 per cent.
Appalachian	70 per cent.
Colorado	65 per cent.
Illinois	51 per cent.

But Mr. White himself admits that there are in the United States many oil-fields insufficiently exploited or even still unknown. As for Mexican petroleum, which is said to be threatened by salt water, there is no need for uneasiness. Exploitation there is only just beginning and will produce many pleasant surprises.

Lord Curzon, moreover, sweeps aside all statistics with a disdainful gesture. We cannot trust their accuracy, he says. But this gesture did not impress the United States; they were determined to obtain satisfaction at any price.

CHAPTER XV

THE AMERICAN RETORT

The United States began to retort by feverishly carrying out a naval program which aimed at depriving Great Britain of the supremacy of the sea. They built an immense merchant marine, which already numbered, on June 30, 1920, more than 28,000 ships. And their dockyards were busy constructing battleships more powerful than those of Britain. At the Washington Conference, Great Britain was obliged to renounce her claim to the sole naval supremacy. Besides, she could not have continued to struggle for it. The United States can devote hundreds of millions of pounds to their fleet without inconvenience, but Great Britain, who has suffered more from the War, and whose budget—if we are to believe her statesmen—is balanced with difficulty, could not do so. The British people are so over-burdened with taxation that it would be impossible to obtain more from them.

If Great Britain is no longer sole mistress of the seas, what use, in case of war, would be the enormous oil-deposits of which she has secured the pos-

session in Central America, Mexico, and on both sides of South America? What would be the use of all the work of the *British Controlled Oilfields*?

But if Great Britain still possessed naval supremacy *in the same proportions as in 1914*, it would be sufficient for America to have *a fleet equal to the former German fleet* in order to prevent her access to the Caribbean Sea. The British fleet would never dare to venture there. It would do as it did from 1914 to 1919!

Now, if the American fleet is in a position to prevent access to the American coast and to the Gulf of Mexico, its adversaries may have the most powerful battle-ships in their naval bases and the most imposing reserves of motor-lorries and aeroplanes in their depots, yet all these forces, in the present state of oil production, run the risk of being paralysed for want of sufficient supplies.¹

But the United States are not content with wanting to deprive Britain of her naval supremacy. By threatening reprisals on their territory against the *Royal Dutch-Shell* and British companies, they compelled the British Government to give way on questions concerning Palestine and Mesopotamia. The Americans were all the more furious to see their prospectors arrested in Palestine, because they had obtained the right to make borings there, before the

¹ *Producteur*, January 1921, *Les Grands Programmes Nationaux*.

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War, from the Turkish Government. The whole of the valley of Yarmak, the neighbourhood of Bethlehem (Vebi Musa), the south of the Dead Sea, and the east of the Jordan, were to be prospected by the *Standard*.¹ Moreover, by the General Leasing Act of 1920, the Federal Government obtained authority to exact from every oil company operating in the United States, that it should number none but American citizens among its shareholders. A judicial decision has just been given, refusing to British citizens the right to become shareholders in a company of this kind. Moreover, Mr. Daniels, Secretary of the Navy, wished to get a Bill passed through Congress, authorizing the President to place an embargo on the export of petroleum. The *Royal Dutch-Shell*, which now draws 43 per cent. of its output from the United States, would thus be unable to transport it to Great Britain. But on this point he is in conflict with Mr. Payne, the new Secretary of the Interior, who thinks the above-mentioned Bill a sufficient protection for the United States. This Bill forbids the leasing of wells by a corporation of foreign shareholders, unless these latter belong to a country which

¹ It took America three years to obtain satisfaction as regards Palestine. On April 9, 1922, the British Government notified the State Department at Washington that it granted, at last, to the *Standard Oil* the prospecting rights which this company claimed, and conceded the same rights to Americans as to the nationals of all Governments signing the Treaty of Versailles.

grants reciprocal treatment; the corporation, besides, must have a majority of foreign shareholders.

The system of reciprocity was inaugurated by President Harding. Governments which allow free competition to American companies receive the like treatment.

The permits solicited by the *Royal Dutch* will therefore probably be refused, while those sought by Canadian companies, such as the *Midland Oil*, are much more likely to be granted; it will be enough that their British shareholders become Canadians. For Canada has always allowed the *Standard Oil* very great liberty on her territory. In April 1919, she even refused the association of interests proposed by the *Shell*, for fear of offending Washington. If ever war broke out between Great Britain and the United States, Canada would almost certainly proclaim her independence and break away from the British Empire.

The General Leasing Act may become a dangerous weapon in the hands of the *Standard*, and will perhaps be used by it to bring pressure on the *Royal Dutch*, which has several times refused its co-operation. Many Californian companies, subsidiaries of the *Shell*, have already been called upon to prove that their shareholders are really American citizens as required by Congress.

Thus, the threats uttered by Walter Teagle at the

meeting of the American Petroleum Institute in 1920 are beginning to be put into execution: "If foreign Governments insist on carrying out their policy of nationalizing oil-bearing territory, if they insist on keeping petroleum deposits for their own future profit, at the same time demanding from the United States the satisfaction of their present needs, then there is no alternative for us but to take note of their attitude and, as a means of self-protection, to examine the methods of preserving our own oil for our own needs. Given their position in the world's commerce and the economic and financial weapons they have in their hands, the United States could certainly compel other countries to a redistribution of oil-bearing land, so as to obtain a part of those territories which these countries wish to keep for themselves."

"*Great Britain*," Senator Phelan pointed out, "*holds one half the world's oil and produces only a quarter, while the United States, owning one-sixth, produce three-quarters*. In the possible conflicts of to-morrow, she desires, by means of oil, not only to have all the chances of success on her own side, but also to take from her future rivals, although they may be her friends of to-day, these same chances of triumph. She tries deliberately to diminish the resources of America, which will be exhausted in eighteen years, as things go at present."

Shortly afterwards, in 1920, the former Secretary of the Interior, Mr. Franklin K. Lane, anxiously wondered whether Great Britain was acting in this way to prevent the growth of the American Navy. "*Now, do such proceedings lead to peace or war?* Is it admissible that Britain—not merely British capitalists, but the State or Government of Great Britain, that is, a political entity—should take possession of a market of such importance and keep the rest of the world out of it? It is surely obvious that if not only nationals, but States themselves, represented by Governments, take part in economic competition, and turn themselves into business houses or manufacturing firms, there is no hope of appeasing the conflicts which will constantly arise from commercial rivalry."

CHAPTER XVI

FROM WASHINGTON TO GENOA

THE STRUGGLE FOR THE OIL-FIELDS OF RUSSIA

A period of calm followed the Washington Conference. On his way to the United States, Sir John Cadman, the Grand Master of British Oil Policy, was lavish with protestations of peace and good will. He affirmed that British policy in no way aimed at eliminating Americans from the oil-bearing regions of the world, and he even declared himself in favour of co-operation between British and American capital in the exploitation of oil. "If," he added, "there are restrictions in certain Dominions and Colonies, it is because the home Government could not resist the demand for them. Besides, in Canada, the biggest company, the *Imperial Oil*, is American. In Trinidad there is a law excluding all but British companies from oil concessions upon Crown lands, but no restriction exists upon other lands in the colony. In Burma also the participation of foreign capital is forbidden, but this prohibition is of long standing; it goes back 35 or 40 years, and there is reason to believe that it may soon be repealed."

Sir John Cadman went so far as to declare that he categorically repudiated all governmental intervention in the oil question. In the mouth of one of the directors of the *Anglo-Persian*, this statement is somewhat amusing.

But undoubtedly, the British Government, feeling that it had gone too far, realized the necessity of dropping some ballast. During the Washington Conference, on the fringe of the main naval agreement, an oil truce was secretly negotiated. Britain even consented to allow the *Standard Oil* to establish itself in the five provinces of Northern Persia which had formerly been reserved for Russian interests. In order to obtain concessions from the Persian Government, in spite of the initial opposition of the *Anglo-Persian*, the *Standard* had not hesitated to make use of the American minister at Teheran.¹ *The support which the representatives of Washington never refused has always been one of the principal causes of its triumphs.*

But the struggle between Britain and the United States was not long in breaking out again with renewed intensity, this time for the conquest of the remaining oil lands, now escheat, from the Caucasus to the Urals and Turkestan. The Genoa Confer-

¹ I believe that the exploitation of these deposits will shortly be placed in the hands of the Sinclair Company, one of the most powerful American concerns after the *Standard*. A large number of shares in this company have recently been bought by the *Standard*.

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ence will be regarded by history, not so much as a great effort towards world peace, as a "Conference on Oil," at which the immense riches of the old Tsarist Empire were offered by Tchitcherin to the appetites of the Powers. I have developed this point in the preface to the Russian edition of this book, which has recently been translated under the direction of M. Melik-Noubaroff, formerly President of the Imperial Technical Commission of Baku and chief engineer of the Nobel Company: "Though Russia, which held first place in the world's production for a few years at the beginning of the twentieth century, has now dropped back to third place, the reserves contained in her soil still exceed 1,000 million cubic metres, almost equalling those of the United States and Alaska together (1,113 million cubic metres). Persia and Mesopotamia, Mexico itself, as well as the north of South America, rank after her. All other countries are far behind. The time will come, perhaps in less than twenty years (exceptional circumstances apart) in view of the terrific rate of consumption, when the reserves of the United States will be exhausted; then Russia will play a big part in the world." The developed areas throughout Russia, Siberia, and the Caucasus are much smaller than the extent of the proved deposits, which themselves are but a small fraction of those whose existence has been indicated with certainty

by preliminary surveys. The oil resources of Russia represent alone *one-sixth of the reserves of the world*. Hence the greed and covetousness with which they were regarded at Genoa.

The question of oil is the primary political question of the present age, but in this Conference at which the future of Europe was to be enacted, France was the only nation which seemed not to notice the fact.

The Quai d'Orsay had not deigned to appoint a single oil expert to Genoa.¹ More than that, I am in a position to state that the only one of the French delegates who was acquainted with the oil question had received precise instructions before his departure to keep strictly aloof from all discussions about oil. It was, of course, manifestly impossible to expect to settle the question of Russia's oil at Genoa in the absence of any representative of the United States. The French delegation therefore held only a watching brief.

By this self-denial France at any rate earned the distinction of taking no part in the scandalous concession-hunting which went on behind the scenes at Genoa while the Soviet delegates were discussing the great principles of international morality with

¹ Nevertheless, it had been warned as early as the previous March of the agreement which was afoot between the *Shell* and the Soviets, and it had seen the text of the contract.

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the official representatives of the Powers. Into this feverish atmosphere the news dropped like a bomb-shell that Krassin had signed a contract conferring upon the *Royal Dutch-Shell* a monopoly of the oil in the Caucasus. The news caused a great sensation, and immediately provoked solemn denials, which were more resounding than convincing. The few oil magnates and their satellites who were not already at Genoa hurried thither prepared for battle. The French Government at once dispatched M. Laurent Eynac.

The Cabinet, however, had decided that he alone should be attached to the delegation in an official capacity. And it was not until the afternoon of the day upon which it made this decision that it recognized the necessity of adding M. Pincan, the very able director of the Oil and Petrol Department of the Ministry of Commerce, on account of the fact that M. Eynac for over a year had been out of touch with his former colleagues.

The French delegation adopted the Belgian point of view upon the restitution of private property, and energetically defended French pre-War interests in Russian oil, which, in December 1920, represented a value of 200 million francs. A common policy was elaborated in conjunction with the principal Belgian oil companies, whose importance in the Caucasus equalled our own, with a view to the defence

of rights acquired before and after the nationalization of mines and factories by the Soviets. In order to obtain absolute equality of treatment for French interests in the Caucasus, M. Laurent Eynac very pointedly called the British Government's attention to the stipulations of the San Remo Agreement. He relied upon Article 2 of the Agreement, based upon the principle of cordial co-operation and reciprocity in all countries where the oil interests of France and Britain can in practice be combined, and upon Article 6, which runs thus:

In the territories which belonged to the late Russian Empire the two Governments will give their joint support to their respective nationals in their joint efforts to obtain petroleum concessions and facilities to export and to arrange delivery of petroleum supplies.

The British Government, anxious not to obstruct the private negotiations of the *Royal Dutch-Shell* and the Soviets, got out of the difficulty very skillfully by giving to this latter clause a restricted interpretation. On May 15, 1922, in the House of Commons, Mr. Chamberlain went so far as to declare that Article 6 and the other analogous provisions of the San Remo Agreement would only become effective if French and British nationals decided jointly to acquire specific concessions. Nationals of a single country, like the British trusts,

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would therefore retain complete liberty of action.

If, in the light of these explanations, one appreciates the threat of monopoly contained in the insertion, at the instance of the British delegation, of Clause 7 in the Memorandum of May 2, 1922, stipulating that in cases where the exploitation of property formerly belonging to foreigners could be assured only by incorporating them in a general group, the preferential right to the restitution of the property should not apply, one is driven to wonder what in such circumstances has become of the cordial "Franco-British co-operation" spoken of in the San Remo preamble. Would it not be merely an empty formula?

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For a long time past, the *Royal Dutch-Shell* had been striving to obtain a grasp of the oil deposits in Russia, and thus to realize, by arrangement with the British Government, its dream of world hegemony in oil. Its only reason for not amalgamating with the *Anglo-Persian* and the *Burmah Oil* at the beginning of 1922 was fear of American reprisals. The question was much debated, but after considerable hesitation Mr. Lloyd George refused to give his consent; so soon after the Naval Pact of Washington it would have caused something approaching a sensation in the United States and would have appeared intentionally provocative.

As soon as Britain had signed the trade agreement with Moscow, the *Royal Dutch* opened negotiations with the Soviet representatives, and it was not long before these relations bore fruit in the sale of 10,000 tons of oil to the *Asiatic Petroleum*, one of the *Royal Dutch-Shell* subsidiaries.

I may mention here that the signatories on behalf of the co-operatives of Russian producers were Krasin, Rakovsky, Mrs. Varvara Polovtsef, Victor Nogin, and Basil Krysin. The notorious agreement between the *Shell* and the Soviets, which agitated the Press of the whole world and produced a scandal which almost wrecked the Conference, was not concluded at Genoa; it was drafted in London during February in the following form:—

The Russian Soviet Government is prepared to give consideration to a proposal by which the sale of all oil products available for export from the various oil-fields of Russia would be placed in the hands of a syndicate formed upon the following basis:—

The initial capital will be provided by equal contributions from the Russian Government and the foreign group.

The management of the syndicate will have control of all sales and will be entrusted to a Council composed of an equal number of representatives of the Russian Government and the foreign group.

The syndicate will be responsible to the Russian Government for the most favourable sale of oil products possible. In order to derive the maximum advantage from such sale,

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the syndicate will provide or within an agreed period create the necessary distributive organization, which will entail a certain capital expenditure.

It is suggested that the capital thus required be raised by the issue of bonds bearing a fixed rate of interest.

Payment of the interest upon these bonds will be guaranteed by the foreign group.

The syndicate will receive, as remuneration for its activities, a certain commission upon all sales, which commission will be fixed upon a sliding scale according to the quantities sold.

For quantities not exceeding 100,000 tons 5 per cent. is suggested; for larger quantities a proportionate rate will be arranged by mutual agreement. Furthermore, it is understood that any surplus realized by the sale of Russian oil over and above the export price of the American market will belong entirely to the syndicate.

After meeting working expenses, the profits thus realized will be applied in the first place to the payment of the interest upon any bonds which the syndicate may issue, and the balance will be divided equally between the two parties to the syndicate, i. e., the Russian Government and the foreign group.

These arrangements will hold good for five years certain, after which period the Russian Government will have the right to redeem the bonds at the price of issue or upon such other terms as may be stipulated at the time of issue, and to terminate the agreement. The Russian Government, however, will be obliged to give one year's notice at the end of the fourth year if it desires to terminate the agreement. In default of such notice, the agreement will hold good for another period of five years.

It is understood that the Russian Government reserves

the right at any time to sell oil products directly to foreign Governments, but such sales will in no case exceed 50 per cent. of the total quantity available for export in any year.

The success of the syndicate will depend entirely in the early stages upon transport facilities between the places where the stocks of oil products are available and the ports of embarkation. Unfortunately, at the present time these facilities are in some measure lacking, and with a view to remedying the situation, the foreign party to the syndicate will be required to invest at least £500,000 in the transport system. This sum, as well as all other sums mentioned below, will be guaranteed by the Russian Government, and in case of necessity will be secured upon the stocks of Russian oil.

This money will be used for the purchase of the necessary rolling stock, for the maintenance of pipe-lines, and, if required, for the installation of new pipe-lines for the various products.

Against the sums thus employed, transport bonds will be issued bearing interest at the rate of 8 per cent.; furthermore, these bonds will carry the right to a bonus, the amount of which will be determined by the quantity of oil products transported over and above a pre-arranged quantity.

The amount of this bonus will be fixed by mutual agreement, and will take the form of an agreed tax upon each pood of oil products transported in Russia over and above a pre-arranged quantity.

Payment of the interest upon these bonds will be guaranteed by the Russian Government, and in case of necessity will be secured upon the existing stocks of oil.

The transport organization thus formed by the rolling stock to be acquired and by that which is at present avail-

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able will be under the management of a Council composed of an equal number of delegates of the Russian and the foreign group.

All rolling stock and everything belonging to this joint undertaking will be exempt from requisition or confiscation whether by the Central Government or by local authorities.

The Council of the undertaking will be free to appeal for qualified foreign workmen, and in general to administer and manage the business in the best interests of the enterprise and the objects it has in view.

Any additional capital which may be required will be provided by equal contributions from the Russian Government and the foreign group.

Such additional capital will be raised by the issue of bonds bearing interest at a rate to be fixed by mutual agreement at the time of issue, the Russian Government being responsible for the subscription of one-half of the issue and the foreign group for the subscription of the other half.

These bonds will carry the right to a bonus in the same way as the bonds mentioned above.

The activities of the Council of the joint undertaking will be subject to all laws and decrees of the Russian Socialist Federal Soviet Republic and to all regulations which may be in force.

Of all the employés of the syndicate in Russia, 50 per cent. only may be non-Russian.

If an agreement upon this basis is deemed possible, the foreign group will have the right to appoint representatives in Russia to examine conditions of transport, to take samples of existing stocks, etc.

After the expiry of ten years the Russian Government will be free to redeem the transport bonds at the price

of issue or upon such other terms as may be stipulated at the time of issue.

It is clearly understood that these terms will provide for certain bonuses at the time of redemption to be calculated upon the average profits of the joint enterprise during the last two years of its operations.

The Russian Government will signify its intention to redeem these bonds by the end of the ninth year at latest.

I am aware that serious changes in this contract were contemplated by the two parties in the course of the negotiations. *They were only to be introduced if Mr. Lloyd George succeeded in bringing about the de jure recognition of the Federal Soviet Republic.* This agreement, which was duly initialled, *but not signed*, at Genoa, referred only to concessions for deposits not hitherto exploited. But the Soviet Government had given an oral promise to hand over to the English the fields which were already developed and which had been nationalized for the past four years. Moreover, during this winter, British groups, through Krassin as intermediary, had entered into relations with the former owners and had negotiated with them for the resumption of their concessions. The Bolshevik Government has always urged foreign Powers seeking to acquire a share of Russian oil to deal separately with the dispossessed owners in order to protect themselves against all possible claims in the future.

From the very beginning of 1922, the *Royal Dutch* spread a rumour in France that it was experiencing difficulties with the British Government and must rely upon the support of the French Government. This manœuvre succeeded so well that, when the French representatives at Genoa were given precise information about the impending conclusion of the agreement between the *Shell* and the Soviets, they shrugged their shoulders and smiled contemptuously; the rivalry between the *Royal Dutch* and Great Britain was unquestionable. If the great trust obtained certain advantages, France would benefit; it was best to let it carry on. Their disillusionment was bitter.

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Now the British Government, in conjunction with the *Royal Dutch-Shell*, has been seeking to obtain for itself the products of the oil wells of the Caucasus, not since 1922, but since 1919. The early negotiations proceeded slowly. Mr. Lloyd George had then but little confidence in the permanence of the Bolshevik régime. He did not even contemplate negotiations with its representatives. The financiers of the *Royal Dutch-Shell* approached only the most important of the dispossessed Russian oil magnates. On July 27, 1920, one of the most powerful subsidiaries of the trust, the *Bataafsche Petroleum*, bought a large quantity of the shares in Caucasian compa-

nies owned by MM. Mantasheff, Lianosoff and Pitoieff. For the celebrated Russian actor, Pitoieff, is also a great oil proprietor. The purchase price was fixed at £11,042,000, of which £645,000 was paid in cash. The balance was to be paid by instalments, but the Russian proprietors have not received even the first.

Events had moved quickly. Mr. Lloyd George had developed a sudden and violent sympathy with the Government of Moscow. He now saw in it a saviour who would secure for dormant British industry the work of reconstructing the immense devastated empire. He had decided to bestow upon it his official blessing, to obtain that of all Europe, and to approve its theories and practices, in particular nationalization. Henceforward, the *Shell* considered it had no further concern with the proprietors of the old régime. And Colonel Boyle, one of its most active agents, entered into relations with Krassin, who *promised to reserve to the Royal Dutch-Shell the monopoly of the export of Russian oil.*

Krassin promised everything he was asked, and allowed the contract to be drafted. But as soon as there was talk of signing it at Genoa, he gave the project such publicity that the general diplomatic hue-and-cry which resulted prevented its signature. *It was the Soviets themselves which divulged their agreement with the Shell.* They have no wish to

place the greatest riches of Russia in the hands of a single people, and especially a people so successful and ambitious as the British. The British Government just failed to realize its greatest dream; the conquest of the remaining oil deposits throughout the world—a conquest which would have assured its supremacy in the future and would have made all other peoples its tributaries.

But, in spite of everything, I believe in the future of the British people, one of whose leaders was not afraid to say, twenty years before Germany had begun to dream of European hegemony: "I believe in this race, one of the greatest governing races the world has ever known, this Anglo-Saxon race, proud, tenacious, self-confident, resolute, which no climate and no vicissitude can corrupt, and which will infallibly be the predominant force in future history."

PART IV

FRANCE'S PART IN THE STRUG- GLE BETWEEN GREAT BRITAIN AND THE UNITED STATES

CHAPTER XVII

THE CARTEL OF TEN

In this bitter struggle between Britain and the United States for dominion over the world's oil, what is France's position? France as yet possesses very little oil, although petroleum has been found in various parts of her colonial empire and that of Alsace has been restored to her; but on account of her political importance, she is a "second" who may decide the victory. Hence the efforts made by the two great Anglo-Saxon nations for her alliance.

After 1870, there was no free competition in petroleum in France. The industry fell into the hands of the great firms which, sheltered behind the customs barriers established by the National Assembly at Versailles immediately after the Commune, formed a cartel enjoying a veritable monopoly, and apportioning the different regions of France. These ten firms did not compete. They fixed their prices in agreement and shared among themselves the quantities to be sold. It would have been impossible for an eleventh to establish itself in France without their consent. In the original cartel of 1885 there were only

three members; round these the other existing refineries grouped themselves in 1893. Thus the Cartel of Ten was formed:—

Fenaille et Despeaux.

Désmarais frères.

Fils de A. Deutsch.

Compagnie Industrielle des Pétroles.

Raffinerie du Midi.

Société Lille-Bonnières et Colombes (L.B.C.).

Paix et Cie.

G. Lesieur et ses fils.

Compagnie Générale des Pétroles.

Raffinerie de Pétrole du Nord.

These were the ten firms which, protected by the ridiculously high customs tariff fixed on July 8, 1871, had monopolized for their own profit the sale of the petroleum brought in by the then all-powerful *Standard*. With a total capital not exceeding 100 million francs, *they made for the ten of them a profit of 50 million francs a year.*¹ Thus, France paid more for her oil than any other country in Europe. Protected by its agreement with the trusts by which it guaranteed them the monopoly of its supplies, the cartel did not exert itself. We had only 400 tank-wagons, 54 ill-organized depots, and 17 refineries. The

¹ Henry Bérenger, *Le Pétrole et la France*, p. 280.

process of refining in France has never employed more than 300 to 400 men, of whom just over a third were specialists.¹ Their fleet of tankers in 1914 comprised only 14 small boats of 3,000 to 6,000 tons, of which only three sailed under the French flag. The others were under the British flag "in order to profit by the less burdensome shipping regulations." It was a veritable humiliation for France, when, at the beginning of the War, she had to beg Great Britain to be good enough to return them. Britain had requisitioned them. If the two countries had not been allied, France would have been disarmed from the very first day! Eight of these ships were sunk during the War, and when the cartel was asked to build new ones it refused, "so as not to give offence" to the great trusts.

Except for Charles Paix, who made a disastrous attempt to the south of Cheliff in Algeria, none of the "oil men" tried to discover petroleum in France or her colonial empire, and so to endow the country with a real independent petroleum industry. They much preferred, with the aid of the *Standard*, to draw large profits without running any risks. A remark of M. Deutsch de la Meurthe on this subject has become famous: "The greatest misfortune that could happen to us would be to discover petroleum deposits." M. Barthe well remarked in the course of a

¹ Le Page, *L'Impérialisme du Pétrole*.

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comprehensive indictment: "Our oil magnates have been neither producers nor transporters of oil, and they have not even continued to be refiners." For, since the law of 1893, which lowered the import duty from 20 francs to 9 francs a metric quintal ¹ for crude oil, and from 32 francs to 13.50 francs for refined oil, thus reducing the incredible difference of 120 francs a ton between the two, the Cartel of Ten has arranged with the *Standard Oil* to bring into France refined American oil with 7 or 8 per cent. of residual impurities, *which it passes as crude oil*, so frustrating the fiscal duty and realizing enormous gains. The understanding with the *Standard* was changed about 1904 to a close dependence; the Ten became nothing more than Rockefeller's representatives in France, his *oil importers*. *The Standard fixed the quantities to be sold by each one and made them sign an undertaking to sell at the prices fixed by it at the beginning of each week.* In the old refineries of Paris, Rouen, Bordeaux, etc., the agents of the *Standard* carried on a simple process of distillation, a mere pretence of refining, well-known under the name of "cracking." They imported a mixture of mineral spirit and petroleum, oil manufactured in America, a mixture which they had only to heat slightly in order to separate the volatile spirit (petrol) from the heavy constituents (petroleum

¹ 220 lb.

oils). This fiction has always been admitted by the State officials. It has allowed really refined oils to come into the country as crude oil, paying the minimum duty. Millions have thus been lost by the State to the profit of a few privileged individuals.

Later on, when the cartel made an arrangement with *André et Cie.* that they should deliver Russian oil to it alone, the *Standard* wanted the agreement submitted to it for ratification, and laid down the condition that *André et Cie.* should only make deliveries in the proportions it decided upon.

Thus, the *Standard* was dominant in France up to the War, fixing prices and eliminating other importers. But, in spite of the lowering of the customs duties in 1893 they still remained so high that the *Conseil Supérieur de Navigation Maritime*, at its meeting of May 15, 1913, complained of the difficulties of procuring petroleum in France at reasonable terms." Mazut, the price of which is very low, could not enter the country on account of the 9 francs duty, with which the legislature had burdened it without discriminating between various kinds of crude oil of greater or lesser value. In 1918, the world as a whole was consuming 30 million tons of mazut, France not one quintal. And her shipping was very much behind that of other nations with regard to the use of the Diesel engine. Very few of her vessels burned oil. "What absolutely prevents the fitting up

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of our ships" wrote the Under-Secretary of State for the Merchant Marine, in a letter to the Minister for Commerce on June 2, 1913, "is the exaggerated price of liquid fuel caused by the fiscal exactions." On July 21st, M. Charles Roux, president of the *Comité Central des Armateurs*, took steps to obtain a lowering of these tariffs. They were without result until 1919, the year in which M. Clemenceau got the Chamber to pass the law of August 7th, which lowered the import duties on mazut from 9 francs to 0.40 francs. At last the prohibitive customs barrier was broken down. The tax on coal was then 1.10 francs a ton. A ton of liquid fuel paid duties *one hundred times as high* (90 to 120 francs). From the fiscal point of view, this tax brought in nothing to the Treasury. *It was so high that it prevented all importation.* And thanks to that, also, France was left behind by all her rivals.

CHAPTER XVIII

THE PETROLEUM CONSORTIUM

At the beginning of the War, the French State possessed no reserves of petrol or petroleum: a new example of the unpreparedness so often remarked!

The "refineries" disposed of a stock amounting at the end of July 1914, according to the Customs statistics, to:—

408,200 quintals of crude oil,
433,560 quintals of refined oil,
342,090 quintals of petrol.

To meet the earliest needs, these were requisitioned. But, from the month of September, this method was changed for that of contracts with the "Ten." The cartel undertook to meet the needs of France; it made itself responsible for purchases from abroad. The State was thus a mere customer enjoying the rights of priority over other customers.

The consumption was then unimportant. At the time of the first battle of the Marne, France had 22 squadrons of 6 aeroplanes (= 132), with engines of 80 or 100 horse-power; 110 motor-lorries and 50 tractors (= 160). The Germans had 70,000! ¹

¹ Report placed before the Chamber on March 20, 1919, by the Duc de la Trémoille.

At the time of the battle of Champagne, France had 4,000 aeroplanes and 8,500 motor-lorries; that compelled her to increase her reserves of oil from 22,000 to 40,000 tons. But the crisis as regards supplies began in April 1916. Payments to foreign countries were more than could be met by the cartel, which, having just paid an account of a hundred million francs for purchases made by the State, could advance no more money. The position grew steadily worse and reached its culminating point after the United States came into the War in November 1917. The original little fleet of tankers quickly proved as inadequate as the size of the docks provided in our ports, which were intended for boats of 4,000 to 5,000 tons while the American tank-steamers were of 10,000 to 15,000 tons. On December 5, 1917, the Cartel of Ten had to confess its impotence and resign to the State a task which was too much for its powers. The stocks ran grave risk of becoming too completely exhausted on March 1, 1918. It was imperative "to effect a reorganization which history will record as one of the most substantial triumphs of the Entente at the decisive moment, and which resulted—thanks to the pressure on behalf of France which President Wilson put on the *Standard*—in doubling the figures of our importations of oil and petrol" (Report addressed to M. Clémentel, Minister of Commerce, in

April 1918). Mr. Wilson, as soon as he received M. Clemenceau's moving appeal, summoned Bedford and W. Teagle to his room, and insisted that a certain number of their ships should be taken off their usual routes and sent to France. Eight days later, three magnificent tank-steamers entered a French port, bringing 30,000 tons of petrol. And since then, thanks to a new system of rotation of ships, France was enabled to receive annually a quantity which, finally, exceeded a million tons. (Each boat was made to do one extra voyage a year; that gave a gain of 160,000 tons.) Consumption steadily increased; the requirements at the front rose, at certain times, to 1,800 tons *a day*. France consumed:—

	Tons.	Tons.
1914 (first half-year: peace)...	200,000	476,000
1914 (second half-year: war) ..	276,000	
1915		457,000
1916		640,000
1917		610,000
1918		1,000,000

87½ per cent. of this oil was supplied by the American continent, the United States, Mexico, Trinidad, South America, etc.; 12½ per cent. only by the Old World. That is why, in case of a new war, it would be impossible for any Power whatever to gain the victory if its tank-steamers could be barred from access to the New World.

During the month of October 1918, alone, the consumption of the Allied armies was:—

French	39,000 tons
American	20,000 tons
British	32,000 tons

The *Shell* could scarcely cope with the task of supplying the British Army. But for the help of the *Royal Dutch* and the *Standard Oil*, "we should have had to cease hostilities to our disadvantage, in the fifth month of the War."¹

After the Cartel of Ten was obliged to confess its impotence in the midst of a crisis which nearly lost the War, its work was limited to putting into good condition the products bought and stored by the State. Its rôle had become singularly unimportant when the Minister of Commerce transformed it into a consortium.

The petroleum consortium was born of the necessities of war, like the consortium of cotton and the consortium of oils. In the midst of these great conflicts, powerful economic associations, controlled by the State, can alone save national manufactures and commerce from perishing for want of materials, and can supply the enormous requirements created by the war. When, through fear of other countries, the French Republic took the form of an absolute monarchy, it inaugurated, under the guise of a protective

¹ Statement by M. Henry Bérenger in the Senate, June 2, 1920.

State socialism, a system of intense exploitation of the nation's economic forces and of its products, which were monopolized, seized, or requisitioned. The Government was, in fact, reduced to a society of consortiums, which, each in its own domain, were the sole buyers and distributors of wealth. There was the *Comité des forges* to deal with metallurgy; there was another for oil.

Because of the difficulties of importation, manual labour, raw materials, freightage, and exchange, the simple liberty of the merchant or the isolated manufacturer is no more than an empty word, perhaps even a dangerous illusion.

The system of the consortium was urged by the United State Government. Having created centralized organizations for its exports, it desired that these organizations should come into contact, not with scattered merchants, but with the Allied States themselves. The important inter-allied agreements made in Paris and London, in November 1916 and December 1917, on the initiative of M. Clémentel, confirmed the principle of these industrial and commercial syndicates, financially responsible to the State, which becomes a direct buyer. Besides, the French State was not anxious to see the incredible profits which were going to result from the doubling of oil imports—imports of a value of a thousand million francs yearly—fall into the hands of the Cartel of Ten. It therefore im-

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 posed upon it, on March 29, 1918, after three months of inquiries and hesitations, a curious contract.

The State reserved to itself the monopoly of the purchase and import of oils, and sold them to a special organization (the consortium), constituted under the form of a limited company with a capital of thirty million francs, of which half was to be paid up immediately. This company undertook delivery of the commodity, reimbursed the State for its expenditure (cost, insurance, freight), itself met the charges for unloading and storage, and re-sold the oil to the ten members of the cartel at prices fixed for each variety by the Ministers of Commerce and Supply. *The distributive trade within the country was left free.* Each of the Ten subscribed towards the formation of the capital in the following proportions:—

	Nominal Capital subscribed.	Paid-up Capital.	Percentage.
	Francs	Francs	Francs
<i>Fenaille et Despeaux</i>	4,725,000	2,362,500	15.75
<i>Désmarais frères</i>	4,725,000	2,362,500	15.75
<i>Fils de A. Deutsch</i>	4,725,000	2,362,500	15.75
<i>Cie. Industrielle des Pétroles</i> ..	3,861,000	1,930,500	12.87
<i>Raffinerie du Midi</i>	3,504,000	1,752,000	11.68
<i>Société L.B.C.</i>	2,526,000	1,263,000	8.42
<i>Paix et Compagnie</i>	2,238,000	1,119,000	7.46
<i>Cie. Générale des Pétroles</i> ...	1,428,000	714,000	4.76
<i>Lesieur et fils</i>	1,284,000	642,000	4.28
<i>Raffinerie du Nord</i>	984,000	492,000	3.20
	30,000,000	15,000,000	—

As the consortium was founded in the general interest, they agreed to take interest at the rate of only 6 per cent. on the capital they had provided. Beyond that, all profits were to go to the State. They were fairly high, for on July 1, 1919, they amounted to 67 million francs.

This organization constituted a first monopoly of importation by the State, under the financial management of the consortium, which arranged for the reception and storage of the products and their sale to refiners. Under the system which prevailed before that of the consortium, the Ten pocketed the supplementary profits arising from buying and transport. These were retained by the consortium for the benefit of the community.

The oil magnates will never forgive the State for interfering with their affairs. According to M. Henry Bérenger, "although the State left to the cartel a large share in the management and the profits—more than 100 million francs—the latter never consented with a good grace to the intervention of their country's Government in matters concerning oil. They never freely accepted the principle of collaboration with the public authorities." In August, 1918, at the height of Marshal Foch's offensive, a grave crisis arose from the extraordinary particularism of the oil magnates. For fear of losing an additional profit of 15 centimes a litre, they refused to pool their cans,

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as the French High Command required of them. The reports sent in at this time by General Head-quarters are categorical in tone. The resistance from private interests became so strong that the Government decided, in the critical days of the great advance, to create a Commissioner-General for Petrol with full executive powers to subordinate rigorously all private commerce in oil to the requirements of the public safety.

M. André Tardieu, the High Commissioner at Washington, was sometimes also greatly impeded in his negotiations by the Ten. From the end of 1917, he made direct purchases of oil from the *Standard Oil*, the *Atlantic Refining*, and the *Texas Oil*, because of the difficulties that had been made for him by the rivalry and manœuvring which he denounced in his telegrams. While the French Government was trying to buy at £5, the oil dealers were offering £7 10s. Their clumsy and inopportune intervention furnished the *Standard Oil* in many cases with an instrument of pressure.¹

¹ Affairs of the *Archbold*, the *Goldshell*, and the *Muskogee*. André Tardieu's reply to the oil magnates when challenged by them to state exactly when and how his mission was impeded by their proceedings.

The oil-men revenged themselves for the State collaboration which was imposed upon them by a bitter criticism of the system of the consortium in the *Revue Politique et Parlementaire*: accounts badly kept; profits arising from the State's arbitrary allowances for working expenses; ships arriving in ports where they were not expected, and without bills of lading (hence no means of control), etc. . . .

CHAPTER XIX

HOW GREAT BRITAIN WON OVER FRANCE TO HER SIDE IN THE STRUGGLE WITH THE UNITED STATES

I. ACTIVITIES OF THE ROYAL DUTCH AND THE ANGLO-PERSIAN.

On the morrow of the Armistice, on November 21, 1918, Lord Curzon gathered together all the members of the Inter-Allied Petroleum Conference at a great banquet, and there uttered the famous saying: "The Allies floated to victory on a wave of oil." M. Henry Bérenger, the French Commissioner for Petrol, proposed to retain the great inter-allied organizations for the distribution of oil, wheat, coal, etc. The *Standard Oil* refused. Besides, Sir John Cadman, Sir Marcus Samuel and Lord Curzon were not sorry to regain their freedom. They had only one idea—to bring to a successful conclusion their vast scheme, followed up for ten years with such admirable tenacity, in every country of the globe, for the acquisition of oil-bearing territories.

France, in compensation for the great damage she

had suffered during the War, was to receive important rights for the development of concessions in Galicia, Rumania, and Turkey, formerly belonging to Germany. The great thing was to keep out the American rival. To attain this end, as M. Delaisi pointed out, the task was rather complex. Several things were necessary:—

1. To negotiate directly with the Quai d'Orsay in order to get the principle admitted of an *exclusive association* between France and Great Britain, for the exploitation of French concessions throughout the world;

2. To create Franco-British companies to carry out this agreement;

3. To establish a State monopoly in France, which, under pressure of diplomatic conventions, would be bound to keep off American competitors.

On January 21, 1919, although the War was over, the mandate of the Petrol Commission was extended for another six months. The State retained the monopoly of buying oil and the system of the consortium. That prevented our oil-men from working hand in hand with the *Standard Oil* as they did before the War.

Then, on January 30th, M. Clemenceau granted diplomatic powers to M. Henry Bérenger. He immediately sent commissions of inquiry into every country in which France might have petroleum in-

terests, to London, Warsaw, Bukarest, Constantinople, Baku, and Mesopotamia. M. Béranger was all in favour of a great scheme for founding an inter-allied company in which the French State, bringing as its share the German concessions which would be ceded to her by the treaty of peace, should enter into association with Great Britain and the *Royal Dutch*. On March 7th, the Walter Long-Béranger agreement was signed, fixing the broad outlines of a common oil policy in Mesopotamia, Rumania, and eventually in Galicia and Russia. It was a preliminary sketch of the San Remo Agreement. It remained only to prepare for its realization. Eighteen days later, without losing any time, the *Royal Dutch* offered to co-operate in the plans of the French Government in matters concerning the management and exploitation of the various oil interests which might be reserved to France as a consequence of the treaty of peace. It proposed, moreover, to place at France's disposal "all its world-wide technical, industrial, commercial and financial organization, not only in the countries mentioned, but also *in all other countries*" in which she might need its co-operation. And it offered to supply France by priority, in time of peace as in time of war.

M. Clemenceau welcomed the proposal. In order not to offend Parliament and public opinion, which was tending more and more in favour of a national

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oil policy, the *Royal Dutch* entered into partnership with one of the great commercial banks, the *Union Parisienne*, in order to create with its concurrence companies of which the nationality, if not the capital, should be French.

In this manner were created the *Société pour l'Exploitation des Pétroles* in July, and the *Société Maritime des Pétroles* in August 1919, the former with a capital of 20 million francs, and the latter of 10 million francs. In the first of these companies five out of nine of the directors bear names well-known in the *Royal Dutch*: Deterding, Gulbenkian (the Talleyrand of oil), Colijn, who at one time nearly succeeded Deterding and who has been Minister of War in the Netherlands, Cohen, Jonckheer, Hugo. France has only a minority on the Board of this "French" company, for M. Deutsch de la Meurthe, whose influence brought over the Cartel of Ten from the side of the *Standard* to that of the *Royal Dutch*, is little more than the mouthpiece of London and The Hague. The *Royal Dutch*, besides, subscribed 60 per cent. of the capital of the *Société pour l'Exploitation des Pétroles*, though it now holds only 49 per cent. In the *Société Maritime des Pétroles*, the disproportion is still greater; out of seven directors, two only are French, and have played an important part in French politics during the last few years. It is to them, in particular, and to the skill of Gulben-

kian, who conducted the negotiations very cleverly, that the *Royal Dutch* owes its triumph in French official circles.¹

But the British Government is not content with these two companies founded by the *Royal Dutch*. (The second is so little French that 19,600 out of the 20,000 shares of its capital belong to the Anglo-Dutch trust, and 400 only have been subscribed by the two French members of its council.) In spite of the opposition of Parliament, it authorized the *Anglo-Persian* to found a company much more important than the other two put together, a company with a capital of 227 million, the *Société des Huiles de Pétrole*. This Franco-British *Anglo-Persian* was created by one of the most powerful personalities of the financial world in Eastern, Southern, and Western Europe,² to whom Great Britain owed the policy she was then following against the Turkish Empire.³

Through the agency of Sir Basil Zaharoff, who is interested both in the *Société Navale de l'Ouest* and in the *Banque de la Seine*, and holds 70 per cent. of the capital of Vickers, this British firm undertook to construct immediately, giving preference over the other trusts, the whole of the tank-boats, of 10,000

¹ These facts are still too recent and too controversial for me to be able to make any more detailed reference to them.

² Agreement signed in London, October 27, 1920. Cp. chap. xi, *A State-subsidized Company (the Anglo-Persian)*.

³ Policy of the "Auxiliary Greek Empire."

tons on an average, destined to ensure to the new "French" company the monopoly of the transport of oil for the French market. France will depend for its future supplies, in great part, on this Franco-British *Anglo-Persian*. Its stations will be found on all her coasts, as well as in her African possessions. The *Société Générale des Huiles de Pétrole* will erect vast reservoirs at Dunkirk, Le Havre, Rouen, Saint-Nazaire, La Pallice, Bordeaux, Marseilles, Bizerta, Algiers, Oran, Casablanca, and Dakar (Senegal).

As the United States will probably still have the advantage for another dozen years as regards oil supplies—for it is not very likely that they will exhaust their reserves so soon as 1927, as the Smithsonian Institute pretends—the new enterprise set out to gain immediate control in the matter of tank-steamers.

Everything being thus prepared in the banks and chancelleries, it only remained to drive out the *Standard Oil* from the French market and to establish firmly the monopoly of purchase and importation granted provisionally to the Petrol Commission. On May 6, 1919, M. Henry Bérenger announced in the Chamber the profits which remained for the State under the consortium system—profits not paid into the Treasury, but devoted to a special object, the development of the petroleum industry; and on June 17th, M. Klotz brought forward a Bill to establish this monopoly permanently.

The *Standard*, which, since the Armistice, had been impatiently waiting for the time when restrictions upon trade in France would be removed, no longer had any illusions about the desire of the Commission to expel it from that country. Although the *Standard* had resumed its freedom from the conclusion of hostilities, it had none the less continued its supplies of oil to France, and knowing the Treasury was in difficulties, had accepted 5 per cent. bonds in payment. Now, in self-defence, it declared that it refused all credit.

The Oil Commission, in thus breaking free, had taken precautions against being caught unprovided. Three days after the rupture with the *Standard*, on November 25th, it obtained a credit of £2,000,000 from the *Royal Dutch*, which was increased on January 5, 1920, to £5,000,000. The *Standard Oil* was ejected and the great Franco-British trust established in its place, thanks to this long-date contract.

But shortly after the fall of the Clemenceau Cabinet, this success came near to being undone. No new commissioner had been appointed in place of Henry Bérenger: a high official of the Exchequer was given the title of Director-General. The politics of oil, when we needed a real Petroleum Department, as in Britain, were reduced to the common level of current events.

For more than a month (February–March, 1920),

what remained of the Petrol Commission was left at a loose end, only indispensable deliveries were made. A state of anarchy ruled. The stocks, which had, until then, been laid in four months in advance, fell to almost nothing. The *Standard Oil* took advantage of this to regain its footing.

In spite of its promises, the *Royal Dutch* did not succeed in delivering sufficient quantities of oil. By March 13, 1920, the reserves had fallen below the danger-line, to less than 75,000 tons. The Director-General, anxious about supplies, decided to resort to the Americans. And as the powers of the Petrol Commission had been legally extinct since April 26th, and its provisional monopoly at an end since April 21st, he established the system of authorizing imports, and granted licences to several companies which had made contracts with the *Standard Oil*. Would the *Standard Oil* succeed in re-entering France?

It was not given the time, for the San Remo Agreement had just been signed (April 24, 1920). A few days later, the French Government resumed control of oil, and M. Laurent Eynac, the new Commissioner, taking the view that what had happened during the interregnum had no legal existence, hastened to annul the licences to import granted to the *Standard*.

The great American trust found once more in France, as it had so often found since the War in other parts of the world, the "closed door."

II. DIPLOMATIC NEGOTIATIONS

"The diplomatic history of the Franco-British negotiations concerning Mosul will, when it is made known, constitute the most eloquent document upon British policy towards France."¹ According to the agreements of 1916, Mosul was in the French zone of influence in Arabia. Great Britain began by obtaining the cession of our territorial rights, as recognized by this treaty. The French Government gave way to her desires in spite of the opposition of its Foreign Minister. But when, later on, we demanded in compensation that 50 per cent. of the oil of Mosul should be reserved for us, Great Britain produced at the propitious moment the difficulty, unsuspected by our negotiators, of the *Turkish Petroleum*, a company which she had opportunely created in collaboration with the *Royal Dutch* a few months before the declaration of War in 1914. Now the *Turkish Petroleum* had obtained from the Turkish Government the grant of all the naphtha of the vilayets that we lost in renouncing the Sykes-Picot Agreement of 1916. So, having abandoned Mosul, all we were to receive in exchange was the oil with which Britain consented, as a special favour, to supply us.

"When one knows England well," wrote M. Le

¹ *Revue Universelle*, October 15, 1920, Le Page, *L'Impérialisme du Pétrole*.

Page, with justice, "one is not surprised that, when, with the help of France she has driven out America from the territory she covets, she should strive to throw over her helper, having got rid of her rival."

The petroliferous basin, which extends from Persia to Mesopotamia, is one of the most extensive as yet discovered in the whole world. The great deposits reach as far as twenty miles to the north of Mosul. In the valley of the Naphat, the oil flows naturally into the river. At Hit, on the Euphrates, there are asphalt deposits which have long been exploited by the natives. And it is probable that this petroleum basin, which also includes Palestine,¹ continues through Syria right to the shores of the Mediterranean. Near Latakia (Laodice) there are asphalt beds, which the *Latakia Oil*, a British company, has been exploiting since 1915. On the eastern side of the Gulf of Alexandretta, the streams which flow down from Mount Alma bear traces of oil. Thus, it is not surprising that this region has aroused, and still arouses, so much covetousness among the Powers. As early as 1903, the *Imperial Ottoman Bagdad Railway Company*, the famous *Bagdad Bahn*, obtained the grant of the right of exclusive exploitation of all deposits found within a

¹ The *Standard Oil* obtained the grant of seven concessions there, to the south of the Dead Sea, which the British are preventing it from exploiting.

distance of fifty kilometres from its lines. Germany transferred this right to the *Turkish Petroleum* when the latter company was created. The capital of the *Turkish Petroleum* was, to begin with,

50 per cent. British;

25 per cent. German (*Deutsche Bank*);

25 per cent. Dutch (*Royal Dutch*).

Germany's share has been handed over to France by Great Britain in order to obtain her support in the struggle against the United States.

As the War broke out almost at once, the *Turkish Petroleum* had not time to begin the exploitation of the oils of Mesopotamia. After the new King of Iraq has decided definitely what is to happen to them, it will take nearly five years to develop them fully.

In 1914, an Anglo-German agreement had expressly recognized the rights of France in Asia Minor. These rights, moreover, were respected in all essentials in the agreements between France, Russia, and Great Britain, in 1915 and 1916, for the partition of Asia Minor. This latter, in March 1916, defined French and British zones and French and British spheres of influence. "In a letter of May 15th," wrote the reporter of the Public Works Commission, "Sir Edward Grey requested that, in the zone which was to become French under the Sykes-Picot Agree-

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ment, it should be understood that *all existing concessions*, navigation rights, and the rights and privileges of all British religious, educational and medical establishments would be maintained."

In a letter of the same date, M. Cambon agreed. By these means France was tricked, for doubtless M. Cambon was not aware at the time that, from June 26, 1914, a British firm, the *Turkish Petroleum Company*, had obtained from the Turkish Minister of Finance, Saïd Halim, the concession of all rights over oil discovered or to be discovered in the vilayets of Mosul, Basra, and Bagdad.¹ Now, it was just from these three vilayets that the oil in the French zone came; so much so that, by the interpretation of the Franco-British Agreement of May, 1916, France was completely ousted from the oil production of Mesopotamia.

Thanks to Henry Bérenger, a new agreement was concluded between him and Mr. Walter Long in March and April, 1919. Henry Bérenger recalled the agreement made before 1914 between Saïd Halim and the *Bagdad Bahn*, the railway company which had passed into French and British hands since the German defeat. The *Turkish Petroleum Company* was subject to this agreement, because the railway passed

¹ If he knew of it, there can never have been so serious a diplomatic blunder.

through its oil-fields. Rights had been reserved for the Germans over half the production of Mesopotamia. "Thus, France obtained 25 per cent. as her half-share of the German rights." Unfortunately, this agreement met with a certain opposition at the Quai d'Orsay. It was held up, and M. Clemenceau did not sign it, "because, on February 8, 1919, after we had ceded Mosul and Palestine at the request of Mr. Lloyd George upon the threefold condition of the oil agreement—whole-hearted British support of the French point of view in the event of American objections—and finally the exact fulfilment of the 1916 treaty concerning the frontiers of Syria, Mosul excepted, our British friends presented to us a map which deprived us of one-third of Syria in addition."

Such was the explanation given to the Chamber by André Tardieu! A certainty was sacrificed for a possibility. M. Henry Bérenger strove to have the treaty revived, and on December 21st signed a new contract with Sir Hamar Greenwood, the British Minister in charge of oil questions, very similar to the Long-Bérenger Agreement, except in the matter of native interests. This time, however, Lloyd George, not considering it advantageous enough to Britain, refused to sign it.

Such was the situation when France went to the Conference of San Remo.

THE SAN REMO AGREEMENT

It was not merely the oil deposits of Mesopotamia that France, in return for a lowly and subordinate participation in British control, was abandoning to Britain—as they would have had the Chamber believe at the time of the noisy debate upon Mosul—but the whole of French oil interests, present and future, whether in the colonies or abroad. The first article of the agreement which Mr. Lloyd George and the real “Grand Master” of British oil policy, Sir John Cadman, presented for signature, stipulated, it is true, that “this memorandum relates to the following States or countries: Rumania, Asia Minor, territories of the old Russian Empire, Galicia, French Colonies,” and that the agreement might be extended to other countries by mutual consent; but, of British territories, only “British Crown Colonies” were opened to French co-operation, and then only “so far as existing regulations allow.” Thus, London kept an easy method of evasion in reserve. Now, though the British Empire counts many “Dominions,” there is not nowadays a large number of “Crown Colonies.” The former German Colonies themselves, with one exception, have been handed over to the Commonwealth of Australia, or to New Zealand, or to the Union of South Africa. Thus, apart from former German East Africa and a small strip of the

Cameroons which France ceded to Nigeria, these will not be open to "Franco-British co-operation."

There is but a single country in which the San Remo Agreement has provided equal treatment for France and Britain, at least in theory; that country is Rumania.

Rumania is the State in which French interests were the most important; they would be increased still more by the spoils of the *Deutsche Bank* and the *Disconto-Gesellschaft*. Accordingly, the two Governments pledged themselves to support each other in acquiring concessions which belonged to sequestered companies, such as the *Steaua Romana*, *Concordia*, and *Vega*, and in obtaining fresh concessions. "All shares belonging to former enemy concessions which can be secured and all other advantages derived from these negotiations shall be divided, 50 per cent. to British interests and 50 per cent. to French interests. It is understood that in the company or companies to be formed to undertake the management and the exploitation of the said shares, concessions, and other advantages, the two countries shall have the same proportion of 50 per cent. in all capital subscribed, as well as in representatives on the board, and voting power."

This equality was not a favour, for the French capital invested in Rumanian oil was at least as important as that of Britain.

In the territories of the old Russian Empire, where French interests are much less important than British interests, an equal distribution is not provided for: it would have been to the advantage of France. But it is stated that the two Governments will give their "joint support" to those of their nationals who make "joint efforts" to obtain concessions, and to export and deliver oil. Now, at the present moment, such efforts are being made by the *Royal Dutch-Shell* alone, which is even going to the length of proposing to the Soviet Government to restore the oil industry of Russia, if it is granted extra-territoriality for its concessions.

In Mesopotamia, "the British Government undertake to grant to the French Government 25 per cent. of the net output" if the Mesopotamian oil-fields are developed by Government action. If a private company is used, the British Government will place at the disposal of the French Government a share of 25 per cent. in such company. Thus, in the one case France will be simply a consumer of oil, or in the other she will be both a producer and a consumer. The negotiators took care to have inserted that "the price to be paid for such participation shall be no more than that paid by any of the other participants." They remembered the price at which British coal had been sold them!

"It is also understood that the said petroleum com-

pany shall be *under permanent British control*." Should a private company be constituted, "the native Government or other native interests shall be allowed, if they so desire, to participate up to a maximum of 20 per cent. of the share capital of the said company, the French contributing one-half of the first 10 per cent. of such native participation." With this system, as M. Delaisi has observed, France would subscribe a *third* of the capital, upon which condition she would have a right to a *quarter* of the oil produced.

If Britain consented to give France this share of the Mesopotamian oil, when, according to the document which Sir Edward Grey had got M. Paul Cambon to sign on May 15, 1915, she was *under no obligation* to give anything at all—the more so because France had given up Mosul without previously laying down any conditions about the oil ¹—it was because the present carried with it as a counterpart privileges and exemptions granted by France to the *Anglo-Persian*, which will have access, if it so desires, to the Mediterranean by pipe-lines across Syria. It will even be able to build railways, refineries, and

¹ One of two things should have been done: either Mosul should only have been given up against the promise of a large share of its production, or Upper Mesopotamia should have been retained, because, even if its deposits had been exploited by British companies, the presence of France would have forced them to reckon with her.

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reservoirs there, and France is pledged to guarantee the security of its installations in her zone without levying any tolls. No export or transit dues are to be levied upon the oil which it sends through French ports.

Finally, while the British Government only opens its "Crown Colonies" to French penetration, and in these restricts the favour to the "territories of the Crown,"¹ with the further condition that the concessions in question are not already the subject of negotiations initiated by private interests, the French Government threw open the whole of its great colonial empire, and undertook to facilitate the acquisition of concessions by "any Franco-British group or groups of good standing." It simply called attention to the fact that Parliament had resolved that, in companies formed for the exploitation of colonial deposits, French interests should be represented in the proportion of 67 per cent. But the French Parliament was under an illusion: in order to have control of a business, it is not sufficient to hold one-half or three-quarters of the shares. Every one knows that, in France, shareholders rarely attend the general meetings which appoint the directors. Still less will they undertake the journey to London, where the head office will almost always be located. They do not

¹ This phrase does not appear in the official English text of the San Remo Agreement.—TRANSLATOR'S NOTE.

even go to The Hague; this explains why they have no influence in the *Royal Dutch*, although they hold more than half its capital. The last increase of capital of the *Royal Dutch* was voted by *forty-four persons*, representing 218 votes. People did not allow their private arrangements to be disturbed by an event which might have notable results upon the world-future of this trust: not one share in 1,110 was represented.

However, Britain did not wait till the San Remo Agreement was signed before grasping the oil-fields of the French colonial empire: she gained possession of them while the War was being fought!

CHAPTER XX

GREAT BRITAIN AND THE OIL- FIELDS OF THE FRENCH COLONIAL EMPIRE

As early as July 10, 1914, M. Clémentel had appealed to the French Government to prevent foreign Powers from laying their hands upon the oil deposits of Northern Africa. "At a time when Britain is pursuing in Persia a policy which is well known to you, and when oil concessions are, at bottom, the chief cause of the troubles in Mexico," he exclaimed, "the French Government cannot permit its representatives in Algeria, or in Morocco, to give deposits of oil to all comers."

The Government paid no attention to this, for, two years later, Lord Cowdray (Pearson) had obtained a concession of 730,000 hectares for prospecting, and 101,000 for immediate exploitation. These extensive territories were bounded on the east by the railway from Ténès to Orléansville, on the south by the railway from Orléansville to Relizane and thence to Saint-Lucien, on the west by the lines from Saint-Lucien to Saint-Barbe and from Trelat to Oran, and

on the north by the sea between Oran and Ténès. And when, on November 9, 1916, M. Ernest Outrey submitted to the Chamber documents demonstrating how the French Government had proceeded to hand over the oil riches of Algeria without consulting Parliament, M. Marcel Sembat, the Minister for Public Works, deemed the following reply a complete justification:

“If you are dealing with lands where the presence of oil is doubtful and where, according to technical experts, you would have to spend many millions upon prospecting, and if a company says to you ‘Here are our guarantees; we have competent technicians, and we are prepared, under Government control, to spend four million francs upon prospecting,’ what are you to do?”

When the Pearson firm addressed its request for a concession to the French Government, on January 18, 1915, the Minister, in forwarding it to the Governor of Algeria, did not hesitate to write that “the question would have to be submitted to Parliament.” ¹

But he was not long in changing his opinion, and, in order to dispense with Parliament, it was decided to deal with the request “by decree enacted by the Council of State.” ²

¹ Letter from the Minister to M. Lutaud, Governor of Algeria, January 27, 1915.

² *Ibid.*, June 26, 1916.

On August 18, 1916, before any final decision had been taken upon the matter, M. Marcel Sembat instructed the Governor of Algeria "to give the petitioning company every facility for the sale of oil obtained as a result of the investigations which it may undertake." And, on October 11th, M. Lutaud forwarded to him the following letter from the Prefect of Oran, which pointed out an ingenious method of *evading the law upon concessions*:

"In conclusion, M. Dussert (Engineer-in-Chief for Mines at Algiers) proposes, if the Administration should decide not to present a Bill to Parliament, a different solution from that contemplated by the Minister for Public Works. He suggests that an immense mining concession, covering the whole of Dahra, the Bel-Hacel range, and the forest of Mouley-Smaïl, should be granted to Algeria, leaving the colony, from the date of this concession, to give the oil company a three years' lease, renewable for two years, which could be made permanent as soon as the company had selected the lands which it wished to retain."

There followed a report by M. Dussert upon the petition: "This petition is formulated upon entirely abnormal conditions; *the boundaries to which it would apply would enclose an area fifteen times as great as the concessions which are usually granted.*"

What the English desired above everything was to

get a grip on these vast lands so as to keep off their American rivals, should important sources of oil be found there later on. The production of oil in Algeria is still insignificant, though it increased almost tenfold between 1914 and 1917. Henceforward, the majority of companies operating there, the *Société co-intéressée des Pétroles algériens*, the *Société algérienne des Pétroles de Tiliouanet*, the *Société d'Études, de Recherches et d'Exploitation des Pétroles en Algérie*, are invariably British. Lord Murray has even been ingenious enough to have inserted in the articles of association of the last-mentioned company a clause which nullifies all the precautions taken by the legislature: two-thirds of the directors are to be French, as the law requires; the managing director is to be French; but "the Board may in addition by special resolution confer powers upon such persons as it deems fit and for such purpose or purposes as it may determine."¹ This little paragraph alone changes the whole aspect of these articles of association, which, on the surface, appear to conform so closely with the requirements of Parliament. The company will entrust its interests to whomsoever it wishes.

But Britain has not been content with seizing the

¹ Article 27 of the articles of association of the *Société d'Études, de Recherches, et d'Exploitation des Pétroles en Algérie*, registered at Algiers, December 18, 1918.

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deposits in Algeria.¹ She has also installed herself in Madagascar. Since June, 1921, the *Royal Dutch* has been making a minute inspection of the fields of Sakalava.²

And if the hope to which M. Launay gave expression at the Academy of Sciences is realized, and oil is found in Indo-China, Laos, Tonkin, and Annam, the *Royal Dutch-Shell* will probably waste no time in gaining possession of deposits so near its base.

¹ The majority of firms operating in Algeria are British companies registered under French law, just as the *Mexican Eagle* (*El Aguila*) is a British company registered under Mexican law. The most important is the *Société co-intéressée des Pétroles algériens*, which Pearson founded with a capital of ten million francs, and in which he has retained a considerable interest. But the one which has given the best results is the *Société algérienne des Pétroles, de Tiliouanet*, whose oil yields 15 per cent. of petrol, 65 per cent. of illuminating oil, and 20 per cent. of paraffin residues.

² The *Royal Dutch-Shell* contemplates the formation of a French company with a capital of twenty-five million francs for the exploitation of the oil deposits of Madagascar. This company would take over the concessions of the *Sakalava Proprietary Oilfields*, which is already working there.

CHAPTER XXI

THE STANDARD AND FRANCE

On May 17, 1921, Mr. Hughes Wallace, the United States Ambassador, handed to France an official statement of his Government's grievances. He pointed out all the obstacles which American companies encountered in France, and asserted that *British companies did not meet with the same difficulties*.

Now, as Mr. Hughes Wallace observed, France needed ten times the quantity of mazut that she was getting, and many French factories were idle for want of fuel. Thus there was room in the French market for both British and American firms. Mr. Wallace therefore asked that they should be treated on an equal footing.

M. Laurent Eynac, under whom the Commissariat for Petrol had been re-established, without mentioning the Agreement which bound him to the British, replied by putting all the blame on the inevitable delays of official inquiries, which were "the same for everybody."

But a few days afterwards, *Le Temps* published an incomplete summary of the San Remo Agreement;

it did not give the official text till July 25th.

The United States now understood the reasons for the attitude of silent hostility which France had adopted towards American oil companies. The San Remo Agreement aroused grave anxiety in Washington. President Harding displayed very clearly his intention not to tolerate such a policy. He made representations to the British and French Governments and protested against the exclusion of America from the Franco-British partition of the oil of Asia; he declared firmly that the British monopoly countersigned by France at San Remo was not to be tolerated, and that United States citizens were not to be ousted through the complacency of France towards the imperialism of London. The *Washington Post* wrote as follows: "Oil is indispensable to America, and American companies only provide inadequate quantities at excessive prices. The complacent arrangement between France and Britain for the partition of the oil resources of lands which are not in their possession is subject to revision upon the request of the United States, intent on the pursuit of their naval policy."

By subservience to British policy in the East, France was to reap the enmity of the United States. Its effects were soon felt, for, at the Brussels Conference in the following October, the "unofficial" delegate of the American Government declared that

his country would not participate in any international loan for the capitalization of the German indemnity. This was one hope definitely lost, upon which France had long been relying. The same thing happened with the repayment of the French debt to the United States: France fondly hoped that the Americans would renounce what they had lent her during the War, just as Louis XVI renounced the millions which he advanced to their infant Republic, but when President Harding was sounded indirectly upon the subject, he returned a pointed refusal.

The French Government recognized somewhat tardily the mistakes which it had committed, and, when Mr. Bedford came to Paris in the autumn to found the *Standard Franco-Américaine*, it allowed M. Jules Cambon to accept the presidency. To get round the eviction order which has been served upon them in the Near East and the French colonial empire, the United States adopted the ingenious method of founding a French company, which will have just as good a right as the *Société pour l'Exploitation des Pétroles* to share in any concessions reserved to France. Abandoning the high-handed policy, which played the game of its opponents, the *Standard*, upon the advice of Walter Teagle, decided to employ the insinuating methods of the Anglo-Dutch trust. In France, the *Royal Dutch* relied upon the *Banque de l'Union Parisienne*, the *Banque Bénard*, the *Banque*

Rothschild, and also, it is said, the *Crédit Lyonnais*. The *Anglo-Persian* had the support of the *Banque Transatlantique* and the *Banque de la Seine*. The *Standard* now allied itself with the *Banque de Paris*, the most powerful of the commercial banks in Europe.

51 per cent. of the capital of the *Standard Franco-Américaine* (20 million francs) was subscribed by the *Banque de Paris et des Pays-Bas*, and 49 per cent. by the American Trust. And in the constitution of the Board, the *Standard* acted much more prudently than the *Royal Dutch*: five out of eight directors were French.

Mr. Bedford, the actual head of the *Standard Oil*, went so far as to content himself with the vice-presidency, leaving the first place to a Frenchman.

The establishment of the *Standard Franco-Américaine* at this time was the more hazardous because M. Laurent Eynac, taking up the former Klotz-Bérenger program, was working for a definite State monopoly of the purchase and importation of oil. But the French market is of such importance to the *Standard Oil* in its struggle with the *Royal Dutch* that it preferred to take all the risks. "France," Mr. Bedford said, "on account of its geographical situation, is naturally a field for competition among all great companies." The *Standard* desires to have its place there. It proposes to resuscitate the refining

industry, which has almost passed out of existence, and set up great warehouses in the ports to receive the crude oil; and it would even go to the length of installing special reservoirs of petrol for supplying motor vehicles in the neighbourhood of the municipal toll-houses.

Events have turned in its favour, for the idea of monopoly is to-day thoroughly discredited in France. M. Laurent Eynac was obliged hurriedly to withdraw his proposal owing to the commotion which it aroused. An extremely violent Press campaign broke out, and the political and diplomatic dangers of the San Remo Agreement became plain to every eye.

The present diplomatic situation is strangely like that of Fashoda. In 1905, France was at one of the turning-points of her history: she had to choose between the two Powers which had hitherto been her hereditary enemies. She decided to follow the British, and not the German, policy. Will she have to choose between the British policy and the American policy—between the two countries which helped her to emerge victorious from the great world conflict?

CHAPTER XXII

CONCLUSION

THE WORLD IN 1923

The political independence of a people may sometimes be nothing but a sham. France, having neglected to obtain her share in the division of the world's oil, is to-day in a position of dependence upon Britain and America. If, to-morrow, she had to defend herself against a fresh attack, her tanks, her aeroplanes, her submarines, and the whole of her supply services could only function by consent of her Allies. Even with the first army in the world, France could be victorious only if Britain and the United States permitted.¹

Already in time of peace, nations without oil were in a position of considerable inferiority, in view of the hundreds of uses to which oil is put in industry, and especially in the important sphere of the transport and distribution of commodities. There is no true independence for a people but that which is as-

¹ Herein lies the explanation of the undecided policy of France since the signature of the Treaty of Versailles.

sured economically and financially. Military supremacy is only the happy result of proper efforts undertaken to attain it. During the War, such independence was to be desired for France even more than during peace: it would have avoided the heavy debts which she incurred to her Allies, and it would have enabled her to exploit herself the resources at home and in the colonies which she has been compelled to hand over to foreigners.

Before the War, France consumed more than 400,000 tons of oil a year. To-day, she requires 1,500,000, and the oil wells of Alsace, which the Treaty of Versailles has restored to her, produce only 60,000 tons, and Algeria 3,000–4,000 tons.¹ Thus, she is obliged to pay the foreigner nearly 2,000 million francs a year in order to obtain the oil which she lacks.

Nevertheless, there is almost certainly oil in France, in the Ain valley, the Jura Mountains, Auvergne, and the Landes; there is oil in the French possessions in Northern Africa and in Madagascar; there must be some in the Cameroons, in Indo-China, and in New Caledonia. Is it not abnormal that the West Indies and Guiana, when in British or American hands, produce oil, but when in French hands

¹ But she also possesses at Les Telets, near Autun, bituminous shale which, in 1917, produced 103,400 tons, yielding 75 litres of oil per cubic metre.

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never yield anything? The same applies to Oceania. But there is no reason to be astonished at this; for, under the legislation which was in force since 1810, no Frenchman had any inducement to search for oil. This explains the epigram of one of the most important members of the French cartel, when he declared that "the greatest misfortune that could happen to an oil magnate in France would be to discover a spring of oil." Happily, on March 22, 1922, the Chamber altered this state of affairs by granting, as was suggested in the first edition of this book, the guarantees which are indispensable to prospectors. Till that year, the exploitation of deposits which a prospector had discovered might be conceded to any foreign company which came on the scene at the right moment to reap the fruits of his labours. Repayment of money laid out was highly problematical, for the local authorities used to grant this only to those responsible for the final investigations leading directly to the discovery of oil. Now, hunting for a "wild cat"—the American term for a boring—is a very risky operation, which entails considerable expenditure. In a protest submitted to the Ministry of Public Works by five Algerian colonists, who had carried out explorations and borings upon land for which a concession was now asked by a company of foreign origin, the colonists stated by affidavit that they had spent 870,000 francs upon 14 borings and

85 wells, of which seven alone were actually producing a few tons of petroleum. Even so, the proportion of seven successful wells out of 85 is rather high. O'Donnell, the president of the American Petroleum Institute, estimates that, out of every hundred borings made, 98 are unprofitable. But for fifty years the 2 per cent. which succeeded sufficed for the consumption of the world.

The policy of France in the Near East since the War has been simply one long suicide. Little by little, French diplomacy has abandoned everything that was promised by the agreements of London. While the San Remo Agreement marked the complete downfall of France in Asia, it considerably strengthened the position of Britain: not only does it recognize all rights acquired by Great Britain, including those which, as in Mesopotamia, rested upon a highly insecure foundation, but it gives British capitalists an important opening in French colonies which are still almost untouched, whereas the corresponding advantages which it confers upon France in some (not all) British colonies apply to territories where the most desirable fields are already being exploited.

France is paying for her past inertia.

If the Allies have to thank the two great trusts for enabling them to get their supplies of oil during the War, the latter in return have notably increased their power. The defeat of the Central Empires has

brought about the ruin of their rival, the *Europäische Petroleum Union*, and the destruction of the network of interests which Germany had succeeded in spreading over Galicia, Rumania, Russia, and Turkey.

The ambition of the *Royal Dutch* since it linked its fortunes with those of the British Empire knows no bounds. Its latest success at Djambi has now spurred it to ask the Netherlands Government for a monopoly of exploitation in all the Sunda Islands. It has almost reached the point of eliminating its American rival completely from the Far East.

The *Standard* retaliates, and sends prospectors wherever they are admitted—to Abyssinia (January 1921), Peru, Colombia, the Philippines, Bolivia. It has gained a footing in the Azores, and in July 1922 was trying in Ecuador to acquire control of the *Lobitos* from the *Anglo-Ecuadorian*. It is actively cultivating the Government of Czecho-Slovakia for the grant of exclusive rights of exploitation, and it has obtained from the Italian Government a concession for the oil deposits of San Saba, near Trieste. But the Chinese Government has refused the permanent agreement which it proposed.

Walter Teagle wishes the *Standard*, like the *Royal Dutch-Shell*, to become a producer of oil and not to content itself with the mere control of refining and distribution. But the time is long past when Rocke-

feller controlled 95 per cent. of the sales of oil in the United States. Although the *Standard's* capital has risen to \$1,310,000,000 and the number of its subsidiaries to 62 it now refines only 49 per cent. of American oil. In the United States there are forty-four independent companies, representing a capital of two thousand million dollars, which carry on, not only the extraction, but also the transport, refining, and sale of oil. Still more serious, the Anglo-Dutch trust has succeeded in establishing itself on the territory of the Union itself; at a recent congress of the American Petroleum Institute, Walter Teagle showed that the *Royal Dutch-Shell* drew 43 per cent. of its total production from the United States. Be that as it may, the *Standard*, in America, is always regarded as the great national champion, upon which falls the task of fighting the *Royal Dutch* and the British Empire, which have laid plans for depriving the United States of their supremacy in oil. *Who attacks the Standard attacks the Washington Government directly.* And in Europe it still occupies a strong position through its various subsidiary companies. *The struggle for oil is no longer a rivalry between great trusts; it is a struggle between nations.*

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